

## THE EFFECT OF SERVICE FAILURE AND SERVICE RECOVERY ON CUSTOMER SATISFACTION AT BANK SULTRA MAIN BRANCH KENDARI


**Dzulfikri Azis Muthalib<sup>\*1</sup>, Juharsah<sup>2</sup>, Nursaban Rommy Suleman<sup>3</sup>,  
Ifin Naim<sup>4</sup>, Ambo Masse<sup>5</sup>**

<sup>1,2,3</sup>Halu Oleo University, Kendari, Indonesia

<sup>4</sup>University of Southeast Sulawesi, Kendari, Indonesia

<sup>5</sup>Sekolah Tinggi Ilmu Ekonomi Enam Enam Kendari, Kendari, Indonesia

<sup>\*</sup>Corresponding Author: [fikriazis12@uho.ac.id](mailto:fikriazis12@uho.ac.id)

<p><b>Info Article</b></p> <p>Received : 03 Januari 2025</p> <p>Revised : 10 Februari 2025</p> <p>Accepted : 05 Maret 2025</p> <p>Publication : 30 Maret 2025</p> <p><b>Keywords:</b> <i>Service Failure, Service Recovery, Customer Satisfaction</i></p> <p><b>Kata Kunci:</b> Kegagalan Layanan, Pemulihan Layanan, Kepuasan Nasabah</p> <p><b>Licensed Under a Creative Commons Attribution 4.0 International License</b></p> 	<p><b>Abstract:</b> <i>This study aims to analyze the simultaneous and partial effects of service failure and service recovery on customer satisfaction at Bank Sultra Main Branch Kendari. The research method used is quantitative with a multiple linear regression approach. Data were collected through questionnaires distributed to 73 respondents and analyzed using F-test, t-test, and coefficient of determination analysis. The results show that service failure and service recovery simultaneously have a significant effect on customer satisfaction. However, partially, only service recovery has a significant influence, while service failure does not show a significant impact. This indicates that customer satisfaction is more influenced by the bank's ability to manage and resolve service failures rather than the failures themselves. These findings support justice theory and previous literature emphasizing the critical role of service recovery in maintaining customer satisfaction.</i></p> <p><b>Abstrak:</b> Penelitian ini bertujuan untuk menganalisis pengaruh service failure dan service recovery terhadap kepuasan nasabah secara simultan dan parsial pada Bank Sultra Cabang Utama Kendari. Metode penelitian yang digunakan adalah kuantitatif dengan pendekatan regresi linear berganda. Data dikumpulkan melalui penyebaran kuesioner kepada 73 responden dan dianalisis menggunakan uji F, uji t, serta analisis koefisien determinasi. Hasil penelitian menunjukkan bahwa secara simultan service failure dan service recovery berpengaruh signifikan terhadap kepuasan nasabah. Namun, secara parsial hanya service recovery yang berpengaruh signifikan, sedangkan service failure tidak menunjukkan pengaruh yang signifikan terhadap kepuasan. Hal ini mengindikasikan bahwa kepuasan nasabah lebih dipengaruhi oleh kemampuan bank dalam menangani dan memperbaiki kegagalan layanan daripada kegagalan itu sendiri. Temuan ini mendukung teori keadilan dan literatur sebelumnya yang menekankan pentingnya pemulihan layanan dalam mempertahankan kepuasan pelanggan.</p>
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## INTRODUCTION

The advancement of information technology and digitalization has significantly transformed the landscape of the banking industry worldwide. In today's digital economy, banking services are no longer confined to physical branch offices, but have expanded across various digital channels such as mobile banking, internet banking, and app-based platforms. This transformation directly affects customer behavior and expectations, with modern customers demanding speed, convenience, reliability, and personalized experiences in every banking interaction.

However, this modernization also presents new challenges for the banking sector. Increasing system complexity, dependence on technology, and high transaction volumes elevate the risk of service failure. Network disruptions, system errors, delayed transactions, and staff negligence in customer handling are real issues that still frequently occur in today's banking environment.

Service failure not only reflects operational weaknesses but also poses a serious threat to long-term customer relationships. In banking, trust is a core asset that is built gradually but can be lost instantly due to a single bad experience. When customers feel ignored or treated unprofessionally, frustration and dissatisfaction may lead them to switch to another bank. Moreover, complaints spread through social media can severely damage a bank's reputation.

According to Zeithaml and Bitner (2003), customer satisfaction is strongly influenced by the alignment between expectations and the actual service received. Services that exceed expectations result in high satisfaction and customer loyalty. Conversely, service failures—especially when poorly handled—undermine satisfaction and shape negative customer perceptions.

In this context, service recovery strategies become critically important. A bank's ability to respond, correct, and recover from negative customer experiences plays a crucial role in restoring trust. Prompt, empathetic, and effective recovery actions can mitigate the negative impact of service failures and, when handled well, can even strengthen customer relationships.

This issue becomes even more vital in regions actively promoting economic development, such as Southeast Sulawesi Province. As a Regional Development Bank (BPD), Bank Sultra plays a strategic role in supporting key sectors such as MSMEs, infrastructure development, and community welfare programs. Thus, the credibility and

service quality of Bank Sultra are closely linked to the progress of inclusive regional economic growth.

Bank Sultra's Main Branch in Kendari, as the central hub of banking operations, holds a critical role in maintaining high service standards. However, amidst increasingly complex customer demands, various forms of service failure continue to occur. This phenomenon needs to be further examined to understand how service failures and recovery efforts affect customer satisfaction and how customers perceive Bank Sultra's performance in managing these issues.

This study aims to analyze the effect of service failure and service recovery on customer satisfaction at the Main Branch of Bank Sultra in Kendari. Through a scientific approach, the research is expected to contribute theoretically to the field of service management and offer practical insights for decision-makers at Bank Sultra in developing strategies for service quality improvement, effective complaint handling, and continuous system enhancement to maintain public trust.

## **METHOD**

This study employs a quantitative approach with an explanatory research design aimed at examining the relationship between the independent variable, service failure and service recovery, and the dependent variable, customer satisfaction. This approach was selected to reveal the extent to which service failures affect customer satisfaction levels through the collection and statistical analysis of numerical data.

The population of this study includes all active customers of Bank Sultra, Kendari Head Office, who have experienced service failures within the past year, totaling 73 respondents. Since the population is relatively small, a saturated sampling technique (census) was used, involving all 73 customers as the research sample.

Data collection was conducted by distributing questionnaires directly to customers in order to gather information regarding their perceptions of the studied variables. The data collection process included several stages: editing, coding, and tabulation. The editing process ensured that the data collected was clear, readable, consistent, and complete. The coding stage involved grouping respondent answers into appropriate categories. Once coded, the data were scored based on a Likert scale and tabulated for further analysis.

The data were analyzed using two types of analysis: descriptive and inferential statistical analysis. Descriptive analysis was used to describe each variable based on respondents' perceptions. Class intervals were calculated using the formula  $C = (X_n -$

X1) / k, resulting in C = 0.8. Based on this, five rating categories were established: very poor (1.00–1.79), poor (1.80–2.59), fair (2.60–3.39), good (3.40–4.19), and very good (4.20–5.00), adapted from Supranto (2011).

Hypothesis testing was conducted using the t-test to determine the partial effect of the independent variable on the dependent variable. The null hypothesis (H<sub>0</sub>) stated that service failure and service recovery has no significant effect on customer satisfaction, while the alternative hypothesis (H<sub>1</sub>) stated that there is a significant effect. The decision rule was based on the significance value: if p > 0.05, H<sub>0</sub> is accepted; if p < 0.05, H<sub>0</sub> is rejected.

To assess the strength of the relationship between variables, the Pearson Product Moment correlation coefficient was used. The correlation coefficient values range from -1 to 1 and are interpreted as follows: very weak (0.00–0.19), weak (0.20–0.39), moderate (0.40–0.59), strong (0.60–0.79), and very strong (0.80–1.00), as referenced from Sugiyono (2009).

Finally, to measure how much the independent variable contributes to explaining the dependent variable, the coefficient of determination (R<sup>2</sup>) was used. According to Ghozali (2012), an R<sup>2</sup> value close to 1 indicates a high predictive ability of the regression model, while a value close to 0 indicates limited predictive power.

**RESULTS AND DISCUSSION**

**Results**

*Simultaneous Regression Model Testing*

To test the research hypotheses, a multiple linear regression method was used. The results of the simultaneous regression analysis are shown in Table 1 below:

**Table 1. Results of Simultaneous Regression Analysis**

		ANOVA <sup>a</sup>				
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	461.468	2	230.734	67.171	.000 <sup>b</sup>
	Residual	240.450	70	3.435		
	Total	701.918	72			

a. Dependent Variable: Y

b. Predictors: (Constant), X2, X1

Source: Processed Primary Data, 2025

Based on the results in Table 1, the significance value of 0.000 indicates that it is smaller than the significance level  $\alpha = 0.05$ . This suggests that, simultaneously, the variables *service failure* and *service recovery* have a significant effect on customer satisfaction at a 95% confidence level.

*Partial Regression Model Testing*

Partial regression analysis was used to determine the effect of each independent variable on the dependent variable. The results are presented in Table 2.

**Table 2. Results of Partial Regression Analysis Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	3.961	1.167		3.395	.001
X1	.053	.097	.050	.544	.588
X2	.951	.113	.777	8.429	.000

a. Dependent Variable: Y

Source: Processed Primary Data, 2025

From these results, the regression equation is derived as follows:

$$Y = 0,053 X_1 + 0,951 X_2$$

Explanation of the regression equation:

1. The regression coefficient for the *service failure* variable (X<sub>1</sub>) is 0.053, indicating a positive effect on customer satisfaction, but the effect is not statistically significant (p = 0.588 > 0.05).
2. The regression coefficient for the *service recovery* variable (X<sub>2</sub>) is 0.951, indicating a positive and statistically significant effect (p = 0.000 < 0.05) on customer satisfaction.

*Correlation and Determination Coefficients*

This analysis is used to understand the strength of the relationship and the model's ability to explain the variation in the dependent variable. The test results are shown in Table 3.

**Table 3. Correlation and Determination Coefficients**

Model	R	R Square	Model Summary	
			Adjusted R Square	Std. Error of the Estimate
1	.811 <sup>a</sup>	.657	.648	1.85338

a. Predictors: (Constant), X<sub>2</sub>, X<sub>1</sub>

Source: Processed Primary Data, 2025

Interpretation of results:

1. The R Square value of 0.657 indicates that the model explains 65.7% of the variation in customer satisfaction. The remaining 34.3% is explained by other variables not included in the model.
2. The R value of 0.811 indicates a very strong relationship between *service failure* and *service recovery* with customer satisfaction, as categorized by Sugiyono (1999:216) in the 0.80–1.000 interval.

### *Hypothesis Testing*

Based on the analysis results, the following conclusions can be drawn:

1. First Hypothesis: *Service failure* and *service recovery* simultaneously have a positive and significant effect on customer satisfaction. This is evidenced by a significance value of  $0.000 < 0.05$ . Therefore, the first hypothesis is accepted.
2. Second Hypothesis: *Service failure* partially has a positive but not significant effect on customer satisfaction, with a significance value of  $0.588 > 0.05$ . Therefore, the second hypothesis is rejected.
3. Third Hypothesis: *Service recovery* partially has a positive and significant effect on customer satisfaction, with a significance value of  $0.000 < 0.05$ . Therefore, the third hypothesis is accepted.

### **Discussion**

#### *Influence of Service Failure and Service Recovery on Customer Satisfaction*

The results of the simultaneous regression test show that the variables *service failure* and *service recovery*, together, have a positive and significant effect on customer satisfaction at Bank Sultra Main Branch Kendari. This is reflected by the significance value of  $0.000 (< 0.05)$ , and an F-statistic of 67.171, which far exceeds the critical threshold at the 95% confidence level.

Theoretically, this finding aligns with the Customer Satisfaction Theory proposed by Oliver (1997), which states that customer satisfaction is the result of both cognitive and affective evaluation of the overall service experience, including during service failures and recovery efforts. When service failures are handled well, customers tend to remain satisfied because they feel valued and cared for.

This study is also supported by the findings of Tax, Brown, & Chandrashekar (1998), who stated that successful management of service failures and the corresponding responses have a significant influence on customers' perceptions of a service organization.

Thus, this result reinforces that the combination of effective service failure management and recovery responses can significantly enhance customer satisfaction in the banking sector, particularly at Bank Sultra.

#### *Service Failure on Customer Satisfaction*

Based on the partial *t-test*, the *service failure* variable has a positive regression coefficient of 0.053, but it is not statistically significant ( $p = 0.588 > 0.05$ ). This indicates

that although there is a tendency toward a positive effect, service failure does not have a strong direct impact on customer satisfaction at Bank Sultra Main Branch Kendari.

Logically, this may imply that customers understand that in service processes, mistakes or failures can occur. However, these do not significantly affect their satisfaction as long as the failures are addressed appropriately. This is consistent with the concept of "service tolerance" proposed by Zeithaml, Bitner & Gremler (2006), which refers to the threshold of customer tolerance toward service performance that falls short of expectations.

This finding also aligns with the study by Smith, Bolton & Wagner (1999), which stated that customers tend not to overly judge the initial failure but pay more attention to how the company rectifies the issue.

Therefore, it can be concluded that service failure does not significantly impact satisfaction if not accompanied by proper recovery actions. This is crucial for Bank Sultra's management to understand how a problem is handled is more important than the problem itself.

#### *Influence of Service Recovery on Customer Satisfaction*

The results of the partial test show that the service recovery variable has a positive and significant effect on customer satisfaction, with a regression coefficient of 0.951 and a significance value of 0.000 ( $< 0.05$ ). This indicates that the better the bank's service recovery efforts, the higher the level of customer satisfaction.

This finding is consistent with the Justice Theory in service recovery, as explained by Blodgett, Hill, and Tax (1997), which states that successful service recovery is influenced by three types of justice: distributive, procedural, and interactional justice. When customers feel they are treated fairly during the service recovery process, they are more likely to feel satisfied even if they initially experienced a service failure.

The study is also supported by the findings of McCollough & Bharadwaj (1992), who found that timely, empathetic, and satisfactory service recovery can restore customer trust and improve overall satisfaction.

In the context of Bank Sultra, this result underscores the importance of frontliner competence and managerial responsiveness in handling customer complaints. Given that banking services are highly sensitive to time and trust, successful management of service recovery is a key factor in maintaining customer loyalty.

## CONCLUSION

Based on the results of the analysis and discussion of the study conducted at Bank Sultra Main Branch Kendari, it can be concluded that service failure and service recovery variables simultaneously have a positive and significant effect on customer satisfaction. However, partially, only the service recovery variable is proven to have a significant influence, while service failure does not have a significant effect on customer satisfaction.

This indicates that although service failures may occur, they do not necessarily reduce customer satisfaction levels as long as the bank is able to provide responsive and effective handling. In other words, customer satisfaction is more influenced by the quality of service recovery than by the failure itself.

These findings reinforce previous theories that emphasize the importance of fairness and timeliness in service recovery, and provide empirical evidence that effective complaint management is a key strategy in maintaining customer satisfaction and loyalty in the banking sector.

Therefore, Bank Sultra needs to continuously improve employee competence in handling complaints and strengthen its service recovery systems in a systematic and customer satisfaction oriented manner.

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