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From Fair Recovery to Lasting Loyalty: The Mediating Role of Customer Affection in Banking Service Recovery

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ABSTRACT

Purpose: This study explores the impact of customer-perceived justice on customer affection in the Indian banking sector's service recovery context.

Method: Using confirmatory factor analysis and structural equation modeling, data from banking customers reveals that three justice dimensions—distributive, procedural, and interactional—significantly influence customer affection.

Findings: Distributive justice, involving timely compensation and apologies, has the most substantial effect, enhancing emotional connections with customers. Results show that customer affection positively predicts behavioural loyalty, both directly and indirectly through attitudinal loyalty. The study also identifies gender as a moderating factor, with stronger effects observed among female customers. These findings emphasize the need for fair and timely responses during service recovery to strengthen customer loyalty.

Practical Implications: For practitioners, prioritizing distributive justice can enhance customer relationships, especially by addressing gender-specific expectations. This study offers fresh insights into the role of justice dimensions in fostering customer loyalty through emotional engagement in the Indian banking sector.

Originality: This study contributes to the banking sector by highlighting how justice perceptions impact affection, attitudinal, and behavioral loyalty. It offers actionable insights for enhancing service recovery strategies to improve customer affection and loyalty...

Keywords: Customer Affection, Attitudinal Loyalty, Behavioural Loyalty, Justice Perception...

INTRODUCTION

Achieving error-free service delivery remains challenging for service organizations; therefore, the effective management of service failures is critical for ensuring customer satisfaction and sustaining long-term customer relationships. Recent research emphasizes that well-executed service recovery plays a pivotal role in mitigating the adverse effects of service failures, restoring customer confidence, and enhancing customer loyalty (Lim et al., 2025). The effectiveness of service recovery, however, varies depending on contextual factors such as failure severity, customer characteristics, service category, and organizational reputation (Khamitov et al., 2021; Valentini et al., 2020). When recovery efforts align with customers' perceptions of fairness, the negative consequences of service failures are substantially reduced, resulting in stronger loyalty outcomes (Babin et al., 2021; Kim et al., 2024).

The notion of perceived justice is grounded in justice theory, which posits that customers expect fair treatment during service recovery encounters. Customers evaluate fairness through distributive, procedural, and interactional justice, and these dimensions collectively shape their recovery evaluations and subsequent behavioural responses (Choi & Kim, 2023; Yao et al., 2021).

Service recovery experiences often evoke strong emotional reactions that significantly influence customers' intentions to continue or terminate their relationship with a service provider. Although recovery satisfaction contributes to favourable post-recovery evaluations, emerging evidence suggests that satisfaction alone may be insufficient to secure enduring customer loyalty (Van Vaerenbergh et al., 2019). Instead, customer affection—an enduring emotional bond developed through repeated positive interactions—has gained increasing scholarly attention as a key mechanism linking successful recovery experiences with long-term customer relationships (Rather et al., 2023). Nevertheless, the theoretical and

empirical understanding of customer affection within service recovery contexts remains limited, highlighting an important research gap (Nikbin et al., 2014).

Moreover, demographic moderators such as age and gender continue to produce inconsistent findings in service recovery research. Most empirical investigations have focused on retail and hospitality settings, limiting the generalizability of existing findings to other service sectors, particularly banking, where relationship continuity and customer trust are essential (Tran, 2024). This lack of sector-specific evidence highlights the need for further investigation into service recovery mechanisms within financial services.

Addressing these gaps, the present study examines the relationships among perceived justice, customer affection, and customer loyalty, conceptualized as both attitudinal and behavioural loyalty. Specifically, the study investigates (1) the impact of perceived justice on customer affection, (2) the influence of customer affection on attitudinal and behavioural loyalty, (3) the mediating role of attitudinal loyalty in the relationship between customer affection and behavioural loyalty, and (4) the moderating effects of age and gender.

2. Conceptual Model and Hypothesis Development

Extant service recovery research consistently identifies recovery satisfaction as a critical antecedent of customer loyalty. Recent empirical evidence confirms that customers' satisfaction with recovery efforts significantly influences their post-failure evaluations and loyalty intentions (Lim et al., 2025). Recovery satisfaction is largely driven by cognitive processes such as expectation confirmation, perceived performance, and disconfirmation judgments, which shape customers' evaluations of recovery effectiveness (Van Vaerenbergh & Orsingher, 2016). While recovery satisfaction remains essential for customer retention, contemporary studies increasingly emphasize the role of emotional responses in shaping customers' reactions to service failure and recovery encounters (Rather et al., 2023). Positive emotions—including relief, happiness, gratitude, and hope—emerge when recovery efforts are perceived as sincere and effective, reinforcing favourable post-recovery outcomes.

The theoretical framework of this study integrates two complementary perspectives: justice theory and cognitive appraisal theory. Within service recovery research, customer loyalty has traditionally been conceptualized as an outcome of perceived justice. Justice theory conceptualizes perceived justice as a multidimensional construct comprising distributive, procedural, and interactional justice. Recent research confirms that distributive justice reflects customers' evaluations of tangible recovery outcomes, such as compensation, refunds, or replacements (Choi & Kim, 2023). Procedural justice captures customers' perceptions of the fairness, transparency, and timeliness of recovery processes, including complaint-handling efficiency and flexibility (Valentini et al., 2020). Interactional justice pertains to interpersonal treatment during recovery, emphasizing empathy, respect, politeness, and the quality of communication provided by frontline employees (Kim et al., 2024).

Drawing on cognitive appraisal theory, customers cognitively evaluate recovery efforts before forming emotional and behavioural responses (Bouzari et al., 2021). Contemporary research demonstrates that these appraisals generate emotional reactions such as disappointment, relief, happiness, and pleasure, together with cognitive evaluations including trust and confidence in the service provider (Zhang et al., 2022). Although prior studies have enhanced understanding of emotional responses in service recovery, greater attention is still needed to explain how these emotions evolve into enduring customer relationships (Tran, 2024).

Addressing this limitation, the present study shifts attention to customer affection—an enduring emotional bond that develops through repeated service interactions and recovery experiences. Customer affection reflects a deeper emotional attachment that can be strengthened or weakened depending on how service failures are managed. Recent research suggests that affection plays a pivotal role in sustaining long-term customer–firm relationships by reinforcing emotional closeness and relational continuity beyond transactional satisfaction (Loureiro et al., 2023). While recovery satisfaction may secure short-term retention, customer affection is more likely to cultivate durable and resilient customer loyalty over time.

The ultimate objective of service recovery is to foster customer loyalty, defined as a customer's sustained intention to maintain a relationship with a service provider. Recent loyalty research continues to conceptualize loyalty as a multidimensional construct comprising attitudinal and behavioural dimensions (Kim et al., 2024). Attitudinal loyalty reflects customers' psychological commitment, preference, and positive disposition toward the provider, whereas behavioural loyalty captures observable actions such as repeat patronage and continued usage. Although these two dimensions are closely related, they represent distinct yet complementary constructs that warrant separate empirical examination. Accordingly, the present study adopts a two-dimensional conceptualization of customer loyalty to better capture the complexity of post-recovery customer behaviour.

2.1. Attitudinal and Behavioural Aspects of Loyalty

Within contemporary service recovery scholarship, customer loyalty has been operationalized using a variety of indicators. Recent studies have employed behavioural measures such as repeat purchase intentions, continued usage, and customer retention as indicators of loyalty (Tran, 2024), whereas others have emphasized attitudinal indicators, including positive word-of-mouth, advocacy, and recommendation intentions (Rather et al., 2023). However, recent research suggests that relying on a single indicator provides only a partial understanding of customers' post-recovery loyalty. Accordingly, a multidimensional perspective is necessary to capture customers' "true" loyalty, reflecting the coexistence of favourable long-term attitudes and consistent behavioural responses toward the service provider (Kim et al., 2024).

True loyalty emerges when repeated patronage is accompanied by psychological commitment, emotional attachment, and a positive evaluative orientation toward the firm.

Customer loyalty is widely conceptualized as a durable commitment to maintaining a valued relationship with a service provider. Recent literature emphasizes that such commitment is reflected not only in customers' intentions to continue using the service but also in their willingness to recommend the provider to others and resist competitive alternatives (Lim et al., 2025). Consequently, contemporary loyalty research increasingly conceptualizes loyalty as a multidimensional construct comprising both attitudinal and behavioural dimensions, while recognizing their complementary roles in explaining long-term customer relationships (Kim et al., 2024).

In the context of service recovery, fostering and sustaining customer loyalty represents the ultimate objective of recovery efforts. Recent studies describe loyalty as an affective response that motivates customers to maintain relationships with service providers and act as advocates following successful recovery experiences (Rather et al., 2023). Attitudinal loyalty reflects customers' psychological commitment, preference, and favourable evaluation of the service provider, whereas behavioural loyalty is demonstrated through observable actions such as repeat purchases, continued usage, and long-term relationship maintenance (Tran, 2024). Although conceptually distinct, these two dimensions jointly provide a more comprehensive and theoretically robust assessment of customer loyalty in post-recovery settings.

2.2. Customer Affection

In social psychology, affection is regarded as a fundamental component of close relationships and is closely associated with intimacy and emotional bonding. Contemporary extensions of relationship theory reaffirm that intimacy, characterized by feelings of closeness, warmth, and emotional connection, forms the foundation of enduring interpersonal relationships and strengthens affective bonds such as affection (Lemay & Neal, 2022). These perspectives suggest that affection is not merely a transient emotional state but a stable relational bond that supports long-term relationships (Rao et al., 2026).

Within the branding and consumer behaviour literature, affection has increasingly been recognized as a core dimension of consumers' emotional attachment to brands and organizations. Recent studies conceptualize emotional attachment as a multidimensional construct encompassing affection, passion, and connection, which collectively represent consumers' enduring emotional ties with brands (Loureiro et al., 2023). Within this framework, affection reflects warm, positive, and comforting emotions toward a brand or firm, whereas passion captures intense enthusiasm and desire, and connection represents a sense of psychological closeness. Emotions such as friendliness, care, warmth, and emotional comfort are widely recognized as key manifestations of customer affection (Rather et al., 2023).

Extending this perspective to service settings, customer affection is increasingly viewed as a higher-order relational construct that strengthens customer–firm relationships through emotional closeness and psychological attachment. Recent relationship marketing research suggests that affection enhances relationship continuity by fostering emotional commitment, reducing customers' willingness to switch providers, and reinforcing long-term customer relationships (Loureiro et al., 2023). Although conceptualizations of affection vary across studies, they consistently emphasize its role in sustaining enduring customer relationships through emotionally grounded connections rather than purely transactional exchanges.

Despite its theoretical importance, customer affection has received relatively limited attention in service recovery research. Existing studies have primarily focused on customers' immediate emotional reactions following service recovery, while relatively little attention has been devoted to understanding how enduring emotional bonds develop after recovery encounters (Tran, 2024). Emerging evidence suggests that customer affection facilitates trust restoration, emotional reconciliation, and relationship repair following service failures, thereby strengthening long-term customer loyalty (Rather et al., 2023).

2.3. Customer Perceived Justice and Customer Affection

Customer affection, conceptually rooted in intimacy from social psychology, is increasingly recognized in contemporary service research as a construct distinct from transient emotional responses. Unlike emotions, which are short-lived and fluctuate with situational cues, customer affection reflects a relatively stable and enduring emotional bond between customers and service providers. Recent relationship marketing research suggests that effective service recovery can strengthen this emotional bond, thereby promoting long-term customer relationships (Rather et al., 2023). Although previous studies have shown that emotions influence both attitudinal and behavioural loyalty, recent research argues that temporary emotional reactions alone cannot adequately explain enduring customer relationships, highlighting the importance of customer affection as a more stable relational mechanism (Loureiro et al., 2023). Accordingly, the present study conceptualizes customer affection as the long-term emotional mechanism through which perceived justice influences attitudinal and behavioural loyalty.

Service failure and recovery encounters frequently generate emotional responses that shape customers' evaluations of service providers. Recent research categorizes these responses as positive, such as relief, gratitude, and happiness, or negative, such as anger, frustration, and disappointment, each exerting distinct effects on post-recovery evaluations (Bouzari et al., 2021). Drawing on cognitive appraisal theory, customers' emotional responses are formed through their evaluations of recovery efforts, whereby favourable appraisals generate positive emotions and unfavourable appraisals produce negative emotional reactions (Van Vaerenbergh & Orsingher, 2016). Nevertheless, recent evidence suggests that existing service recovery research has concentrated primarily on immediate emotional

responses, leaving enduring affective bonds comparatively underexplored (Tran, 2024).

Building on this literature, the present study shifts attention from transient emotions to customer affection. Although both recovery satisfaction and customer affection contribute to customer loyalty, they differ in their underlying nature. Recovery satisfaction primarily represents a cognitive evaluation of recovery performance, whereas customer affection reflects a deeper emotional bond that develops through repeated positive interactions and meaningful service experiences (Loureiro et al., 2023). Consequently, customer affection is expected to provide a stronger explanation for long-term loyalty, particularly within high-involvement and trust-based service settings such as banking. Although relatively stable, customer affection can still be weakened by severe service failures, making effective recovery efforts essential for preserving and restoring customer relationships (Rather et al., 2023).

From the perspective of justice theory, customer affection is shaped by customers' perceptions of fairness throughout the recovery process. Recent studies demonstrate that fair recovery procedures, respectful interpersonal treatment, and equitable recovery outcomes strengthen customers' emotional attachment to service providers (Kim et al., 2024). When customers perceive recovery efforts as fair, they are more likely to develop feelings of reassurance, trust, and emotional closeness, thereby strengthening customer affection. Conversely, perceived injustice weakens these affective bonds and reduces long-term loyalty intentions (Rather et al., 2023). Accordingly, this study proposes that customer affection functions as a key mediating mechanism through which perceived justice during service recovery influences both attitudinal and behavioural loyalty. Based on the above discussion, the following multi-part hypothesis is proposed.

H1a: Distributive justice perceived by the customer positively affects customer affection.

H1b: Interactional justice perceived by the customer positively affects customer affection.

H1c: Procedural justice perceived by the customer positively affects customer affection.

2.4. Relation of Customer Affection with Attitudinal and Behavioural Loyalty

Customer loyalty is increasingly understood as being shaped by the emotional bonds formed between customers and service providers, particularly during service recovery encounters. Recent research demonstrates that when customers develop strong affective attachments to a service provider, they become more resistant to switching and exhibit a stronger willingness to maintain long-term relationships (Rather et al., 2023). Such emotional bonds foster psychological security and trust, which are especially valuable in uncertain or failure-prone service situations, thereby reinforcing long-term customer loyalty.

The relationship between customer affection and loyalty is strengthened through positive emotional experiences and enduring customer–firm relationships. Contemporary relationship marketing research conceptualizes customer affection as a relational bond characterized by emotional closeness, commitment, and psychological attachment, all of which contribute to sustained customer loyalty (Loureiro et al., 2023). The level of affection customers develop toward a service provider therefore reflects the strength of the emotional bond underpinning the customer–firm relationship. Stronger affective bonds are associated with higher levels of psychological commitment and more favourable loyalty outcomes (Lim et al., 2025).

Within the service recovery context, the affection customers develop following successful recovery efforts plays a critical role in shaping loyalty outcomes. Customer affection strengthens attitudinal loyalty by enhancing customers' commitment, favourable evaluations, and positive intentions toward the service provider, which subsequently translate into behavioural loyalty through repeat patronage, continued usage, and long-term relationship maintenance (Tran, 2024). Customers who feel emotionally attached to a provider are more likely to reward fair, timely, and empathetic recovery efforts with sustained loyalty. Consequently, organizations that effectively manage service failures are better positioned to cultivate both attitudinal and behavioural loyalty by strengthening customer affection. Based on the above discussion, the following hypotheses are proposed.

H2: Customer affection has a positive effect on attitudinal loyalty.

H3: Customer affection has a positive effect on behavioural loyalty.

2.5. Attitudinal Loyalty and Behavioural Loyalty

In services marketing, the attitudinal and behavioural dimensions of loyalty are widely recognized as fundamental to the development and maintenance of long-term customer relationships, particularly when considering both customers' past experiences and future behavioural intentions. Recent research emphasizes that favourable customer attitudes toward a service provider—including commitment, preference, and positive evaluations—constitute the psychological foundation for subsequent loyalty behaviours (Kim et al., 2024). Customers who develop positive attitudes are more likely to continue using the service, resist competitive alternatives, and engage in repeat patronage, thereby strengthening behavioural loyalty.

Recent empirical evidence consistently demonstrates that attitudinal loyalty is a significant antecedent of behavioural loyalty across diverse service settings (Tran, 2024). This attitudinal–behavioural relationship suggests that customers' psychological commitment and favourable evaluations are translated into observable loyalty behaviours over time. Consequently, understanding attitudinal loyalty is essential for predicting and sustaining behavioural loyalty, particularly in post-service recovery contexts where maintaining long-term customer relationships is critical. Accordingly, we hypothesize:

H4: Attitudinal customer loyalty has a positive effect on behavioural customer loyalty.

2.6. The Mediating Role of Attitudinal Loyalty

Building on the preceding hypotheses, both customer affection and attitudinal loyalty are conceptualized as important antecedents of behavioural loyalty. Contemporary service and relationship marketing research suggests that customers' emotional bonds with a service provider strengthen their psychological commitment and favourable attitudes, which subsequently shape their loyalty-related behaviours (Loureiro et al., 2023). Customer affection therefore enhances attitudinal loyalty by reinforcing emotional attachment and preference, thereby increasing the likelihood of repeat patronage and continued relationship engagement. Consequently, it is important to examine the extent to which customer affection influences behavioural loyalty through the development of attitudinal loyalty (Tran, 2024).

Drawing on cognitive appraisal theory, customers' emotional appraisals influence their subsequent evaluations and behavioural responses. Recent research argues that customer affection serves as an enduring affective appraisal that shapes customers' attitudes toward a service provider, which subsequently translate into behavioural loyalty (Rather et al., 2023). Attitudinal loyalty therefore functions as a key psychological mechanism linking customer affection to behavioural loyalty. Although previous studies provide evidence of both direct and indirect relationships between emotional attachment and behavioural outcomes, the mediating role of attitudinal loyalty remains insufficiently examined within service recovery contexts, particularly in high-involvement services such as banking (Lim et al., 2025).

Accordingly, this study examines whether customer affection influences behavioural loyalty directly or indirectly through attitudinal loyalty, as illustrated in Fig. 1. Based on this reasoning, the following hypothesis is proposed:

H5: Attitudinal loyalty mediates the relationship between customer affection and behavioural loyalty.

2.7. The Moderating Role of Age

Customer values, preferences, and behavioural tendencies evolve across the life course, shaping how individuals evaluate service encounters and respond to service recovery efforts. Recent research in services marketing and consumer behaviour identifies age as an important demographic factor influencing customers' cognitive processing, emotional regulation, and relationship orientation toward service providers (Tran, 2024). Customers belonging to different age groups therefore differ in how they interpret service failures, evaluate recovery justice, and develop loyalty-related responses.

Contemporary research suggests that age influences both the cognitive and emotional mechanisms underlying customer evaluations. Older customers generally rely more on accumulated experience, heuristic processing, and relationship-based evaluations, whereas younger customers are more likely to engage in systematic information processing and actively compare service alternatives (Loureiro et al., 2023). As customers progress through different life stages, their service expectations, tolerance of service failures, and emotional responses evolve, resulting in distinct patterns of customer affection and loyalty. Older customers are therefore more likely to demonstrate stronger emotional regulation, relational stability, and commitment to familiar service providers following successful service recovery.

Despite increasing interest in demographic moderators, the moderating role of age in post-service recovery evaluations remains relatively underexplored, particularly within high-involvement service settings such as banking (Valentini et al., 2020). In banking services, where trust, perceived fairness, and emotional reassurance are fundamental, age-related differences may influence how customers transform justice perceptions into customer affection and subsequent loyalty behaviours. These differences suggest that the relationships among perceived justice, customer affection, and customer loyalty may vary across age groups (Kim et al., 2024).

Accordingly, this study proposes that age moderates the relationships between perceived justice, customer affection, and customer loyalty. Specifically, the effects of perceived justice on customer affection and loyalty are expected to differ across age groups because of variations in cognitive processing, emotional regulation, and relationship orientation. Based on this reasoning, the following hypothesis is proposed:

H6: The effects of perceived justice on customer affection, customer affection on attitudinal and behavioural loyalty, as well as attitudinal loyalty on behavioural loyalty will stronger (weaker) for older customers.

2.8. The Moderating Role of Gender

Gender differences constitute a fundamental organizing principle in human cognition, behaviour, and decision-making. Gender schema theory suggests that gender-based cognitive structures shape how individuals perceive, process, and evaluate information in consumption contexts (Meyers-Levy & Loken, 2015). Recent consumer behaviour research further indicates that men and women emphasize different evaluative criteria during decision-making, with women generally placing greater importance on interpersonal relationships, empathy, and communication, whereas men are more likely to focus on outcomes and goal attainment (Tran, 2024). These differences influence customers' evaluations and behavioural responses during service encounters.

Gender is widely recognized as an important demographic characteristic influencing customer attitudes and subsequent behaviours in service settings. Recent studies suggest that female customers are generally more likely to engage in advocacy behaviours, positive word-of-mouth, and relationship-building activities, whereas male customers tend to place greater emphasis on functional service performance and exhibit lower levels of expressive feedback (Rather et al., 2023). These differences imply that the relationship between customers' affective evaluations and loyalty behaviours may vary across gender.

Emerging service recovery research also demonstrates that men and women respond differently to service failures and recovery efforts. Female customers tend to attach greater importance to procedural fairness,

interpersonal treatment, and empathetic communication during service recovery, whereas male customers are more likely to evaluate recovery effectiveness based on distributive outcomes and problem resolution (Kim et al., 2024). These gender-based differences in justice perceptions and relational orientation suggest that men and women may differ in how they translate perceived justice into customer affection and subsequent loyalty outcomes.

Accordingly, gender is expected to moderate the relationships between perceived justice, customer affection, and customer loyalty. Specifically, the effects of perceived justice on customer affection and customer loyalty are expected to vary across male and female customers because of differences in cognitive processing, emotional responsiveness, and relationship orientation. Based on this reasoning, the following hypotheses are proposed:

H7: The effects of perceived justice on customer affection, customer affection on attitudinal and behavioural loyalty, as well as attitudinal loyalty on behavioural loyalty will stronger (weaker) for older customers.

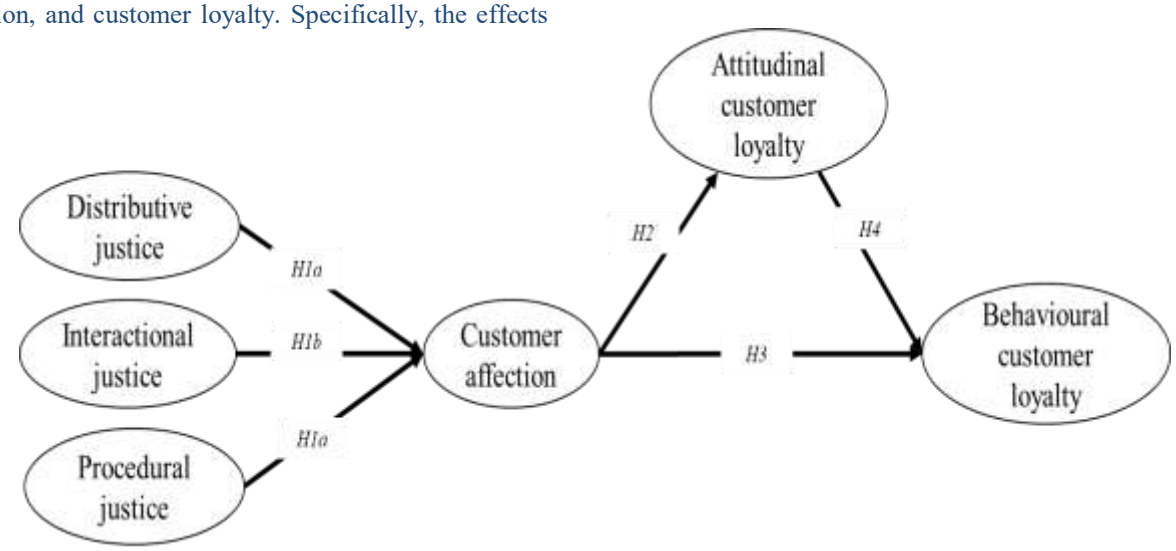


Figure1. Proposed research model

3. Method

3.1 Participants

The data for this study were collected offline from customers who had previously experienced service failures followed by subsequent recovery efforts from Indian regional rural banks. The first author personally visited various bank branches, approached customers, and explained the study's purpose. Those customers who agreed to participate were provided with a questionnaire and guided on how to fill it out.

Given the practical constraints such as time, resources, and access to participants, convenience sampling was employed as the sampling method. Convenience sampling, a non-probability sampling technique, involves selecting participants who are easily accessible, geographically proximate, and willing to participate. While this method does not ensure random sampling, it was deemed appropriate for this study due to the logistical considerations involved in accessing customers from specific bank branches.

The sample size was determined based on the formula recommended by Malhotra (2013, p. 365), ensuring the study's results would be statistically reliable and generalizable within the context of the regional rural banks involved.

$$N = \frac{Z^2 * p\,(1-p)}{E^2} \quad \text{..... (1) (Determination of sample size for infinite population)}$$

The sample size 435 was determined using the formula for both finite and infinite populations. Given the 95% confidence level, Z represents the Z-score (1.96 as per the standard normal distribution). p is the estimated prevalence of a trend in the population, which was expected to be 50% for loyalty among Indian banking customers. The margin of error E was set at 4%. Based on this formula, a minimum of 545 samples was required to ensure statistical accuracy for empirically validating the research model.

To further minimize sampling error and increase statistical power, the questionnaire was distributed to 1,200 customers from five regional rural banks. After two weeks, 929 responses were received, resulting in a response rate of 77.42%. The breakdown of participants by bank was as follows: the minimum number of participants came from SBT with 164 respondents, while the maximum number of participants came from SBH with 203 respondents.

3.2. Demographic Overview of the Respondents:

Gender distribution: 611 (65.76%) males, with an average age of 32.41 years (SD = 3.12), and 318 (34.24%) females, with an average age of 39.54 years (SD = 2.31).

Education level: 21.64% were postgraduates, 62.64% were graduates, and 15.71% had education levels below graduation.

Marital status: 65.34% of respondents were married, and 34.66% were unmarried.

Banking relationship duration: 62.94% had a long-term relationship with their respective banks for more than 5 years, 21.64% had relationships lasting between 2 to 5 years, and 15.42% had less than 2 years of experience with their banks.

Table 1 presents a detailed breakdown of the demographics and relationship duration of respondents with their banks.

Table 1. Sample profile

Socio-demographics	Category	Number	Percent
Age (in years)	20-40	702	75.57
	40-60	181	19.48
	greater 60	46	4.95
Gender	Male	611	65.76
	Female	318	34.24
Education	Pre-graduation	146	15.71
	Graduation	582	62.65
	post-graduation	201	21.64
Marital status	Single	322	34.66
	Married	607	65.34
Bank	SBB&J	191	20.56
	SBH	203	21.85
	SBM	182	19.59
	SBP	189	20.34
	SBT	164	17.65
Tenure associated with the bank (in years)	≤ 02	144	15.42
	>2-5	203	21.64
	> 05	584	62.94

3.3. Measures

The questionnaire contained statements or questions for socio-demographic information of respondents and statements or questions to assess the constructs in hypotheses. The measurement items for constructs were adapted from existing literature or modified (Table 2). *Perceived justice* was assessed on three dimensions: *distributive, interactive, and procedural justice*, with five, four, and five items, respectively, and was adopted from Maxham and Netmeyer (2002). *Customer affection* was measured with five items taken from Thomson et al. (2005) and Yim et al. (2008). *Attitudinal customer loyalty* was measured with three items taken from Ganesh, Arnold, and Reynolds (2000), and *behavioral customer loyalty* was measured with three items adapted from Garbarino and Johnson (1999).

3.4. Analysis

The data were analysed using descriptive statistics, bivariate correlation, confirmatory factor analysis, and structural path analysis. The common method bias (CMB) is an error in estimating constructs with self-reported items (Podsakoff et al., 2003). To address CMB, the respondents are kept anonymous and the confidentiality of their responses (Chang et al., 2019), as well as the items, are kept simple and straightforward to make those items easier to understand (Podsakoff et al., 2003). These respondents were instructed to respond to the questions as honestly as possible. Next, Harman's single-factor matrix explained only a 32.41 percent variance, indicating that the constructs are separate and CMB is not a threat (Podsakoff et al., 2012).

Because there was no marker variable, the study also employed the common latent factor (CLF) method (Podsakoff et al., 2003). Using a CLF plugin (AMOS), the authors draw the structural model with 26 observed items with a single construct. Next, to check the shared variance, the study compared the full constrained model with an unconstrained model using the chi-square test, which is significantly different from zero. The difference in chi-squared values is not significant, so CLF does not need to be retained in the model (full constrained model: $\chi 2$

=987.327, df =784 & unconstrained model: $\chi 2$ =966.436, df =772; p =.113 >0.01).

4. Results

4.1. Measurement model analysis

The efficacy of the measurement model, such as reliability, convergent, and discriminant validity, was assessed using SPSS 20 and AMOS 20. Confirmatory factor analysis was applied to examine the relationships between the observed measurement items and the respected constructs. The composite reliability of each construct was greater than the cut-off of 0.70 (Hair et al., 2010), indicating the internal consistency of items to measure a construct. To ensure the convergent validity of each construct, the average variance extracted (AVE) of the construct was larger than 0.50, suggesting no significant cross-loadings for any of the items (Table 2).

Table 2. Item contents, composite reliability, and convergent validity

Construct	Measurement items	Loadings	CR	AVE
Distributive Justice (DJ) (Maxham & Netemeyer, 2002)	DJ 1	0.766***	0.92	0.69
	DJ 2	0.813***		
	DJ 3	0.807***		
	DJ 4	0.868***		
	DJ 5	0.825***		
Procedural Justice (IJ) (Maxham & Netemeyer, 2002)	PJ 1	0.883***	0.9	0.65
	PJ 2	0.784***		
	PJ 3	0.789***		
	PJ 4	0.863***		
	PJ 5	0.710***		
Interactional Justice (IJ) (Maxham & Netemeyer, 2002)	IJ 1	0.863***	0.93	0.66
	IJ 2	0.864***		
	IJ 3	0.868***		
	IJ 4	0.743***		
Customer Affection (CA) (Thomson et al., 2005; Yim et al., 2008)	CA 1	0.830***	0.83	0.61
	CA 2	0.759***		
	CA 3	0.755***		
Attitudinal Customer Loyalty (AL) (Ganesh, Arnold, & Reynolds, 2000)	AL 1	0.748***	0.81	0.59
	AL 2	0.748***		
	AL 3	0.800***		
Behavioral Customer Loyalty (BL) (Garbarino & Johnson, 1999)	BL 1	0.724***	0.82	0.60
	BL 2	0.878***		
	BL 3	0.715***		

*** $p < 0.001$; *Note:* CR=Composite Reliability, AVE=Average Variance Extracted

Subsequently, discriminant validity (Table 3) was observed because the square root of AVE for each construct was greater than the correlation value of the respected paired constructs in the correlation matrix (Fornell & Larcker, 1981). Each variable had strong composite reliability, convergent validity, and discriminant validity. Finally, the complete measurement

model had acceptable fit indices (x2/df = 2.184; CFI = 0.972, GFI = 0.958, NFI = 0.971; RMSEA = 0.056).

Table 3. Discriminant validity of studied constructs

Variables	1	2	3	4	5	6
1. DJ	0.83					
2. IJ	0.46**	0.81				
3. PJ	0.32***	0.47***	0.81			
4. CA	0.39***	0.28***	0.23**	0.78		
5. ACL	0.23**	0.41**	0.31**	0.41***	0.77	
6. BCL	0.39***	0.38**	0.32***	0.44**	0.40**	0.77
Note: * p < 0.050, ** p < 0.010, *** p < 0.001						

4.2. Structural model analysis

The aforementioned relationships were examined using Structural Equation Modeling (SEM) (Table 4). Supporting the multi-part first hypothesis, results show that distributive justice, interactional justice, and procedural justice were positively and significantly driving customer affection. The second hypothesis, customer affection, has a positive and significant impact on attitudinal customer loyalty as well as behavioural customer loyalty, thus, rendering empirical support to H2 and H3. Also, the findings establish that attitudinal customer loyalty positively enhances behavioural customer loyalty in the banking context, therefore, evidencing H4. Moreover, accepted model fit indices were obtained (x2/df = 2.196, p = 0.001; CFI = 0.967, GFI = 0.952, NFI = 0.969, RMSEA = 0.055).

Table 4. Path coefficients

Hypothesized path	SE		B		Inference
DJ->CA	0.0045		0.212***		Support H1a
IJ->CA	0.0027		0.518***		Support H1b
PJ->CA	0.0019		0.379***		Support H1c
CA -> ACL	0.0043		0.798***		Support H2
CA-> BCL	0,0039		0.776***		Support H3
ACL->BCL	0.0021		0.294***		Support H4
Note. SE = Standard error, β= standardized beta. *** p < 0.001					

To achieve this, it used a three-step framework of mediation analysis (Baron & Kenny, 1986). Based on this, mediation is possible when the following criteria are satisfied: foremost, the independent variable (customer affection) must have a significant effect on the mediator (attitudinal loyalty), and the mediator must have a significant effect on the dependent variable (behavioural customer loyalty). Second, the independent variable must have a significant effect on the dependent variable. Third, once the mediator is controlled, the effect of the independent variable on the dependent variable is not necessarily significant (full mediation) or decreases in strength (partial mediation).

Table 5 shows the mediation test results, indicating that direct (H3) and indirect (H2 and H4) path co-efficient were significant and positive. The mediating effect of attitudinal customer loyalty on the link between customer affection and behavioural customer loyalty was 0.235. This effect was calculated by multiplying the path coefficients of the paths from customer affection to attitudinal loyalty and customer affection to behavioural loyalty, i.e., 0.798 x 0.294 = 0.235. Therefore, it can be established that the mediation effect was significant and positive. Hence, attitudinal customer loyalty acts as a partial mediator between customer affection and behavioural customer loyalty.

Table 5. SEM results for mediation effect of attitudinal loyalty			
Paths	Model 1	Model 2	Model 3
H2: CA->ACL	0.702***	-	0.691***
H4: ACL->BCL	0.742***	-	0.755***
H3: CA->BCL	-	0.647***	0.157***
Fit indices	$\chi2/df = 3.021$, p = 0.001, CFI = 0.897, GFI = 0.911, NFI = 0.907, RMSEA = 0.051	$\chi2/df = 2.984$, p = 0.001, CFI = 0.902, GFI = 0.898, NFI = 0.911, RMSEA = 0.045	$\chi2/df = 2.044$, p = 0.001, CFI = 0.907, GFI = 0.858, NFI = 0.910, RMSEA = 0.058
Note. SE = Standard error, β= standardized beta. *** $p < 0.001$			

4.3 Test of moderation effects

The moderating effects of age and gender differences on the hypothesized relationships were examined using a multi-group structural equation modeling (SEM) analysis. The sample was categorized into two groups based on age (younger vs. older, with the median age as the cut-off) and gender (male vs. female). Prior to testing for moderation, an invariance test was conducted to verify that the scales effectively measured the constructs across both groups. The invariance tests confirmed that the proposed model was applicable to both groups, allowing for the pooling of different categories.

a. Age (younger vs older based on the median of the customer age)

From Table 6, the customer's age had a significant moderating effect on the selected hypotheses. First, H6a, the relationship between distributive justice and customer affection, is moderated by age ($\Delta\chi2 = 3.39$). Distributive justice had a stronger effect for older customers (β = 0.626*) than for younger customers (β = 0.325*). Similarly, for H6b, the effect of interactional justice on customer affection also varies with age ($\Delta\chi2 = 8.46$). The results show that the effect of interactional justice is stronger for older customers (β = 0.42*) than for younger customers (β = 0.17*). Next, for H6c, the relationship between procedural justice and customer affection varies with age ($\Delta\chi2 = 7.82$). The results show that the effect of procedural justice is significant for younger customers (β = 0.322*), but not significant for older customers (β = 0.216). Therefore, hypothesis H6c is partially supported. For H6d, customer age moderates the link between customer affection and attitudinal customer loyalty ($\Delta\chi2 = 4.21$*). The results suggest that the effect of customer affection on attitudinal customer loyalty is significant for older customers (β = 0.324*), but not significantly for younger customers (β = 0.116). Thus, it indicates partial support for H6d. Next, the hypothesis, H6e, also moderates the customer age ($\Delta\chi2 = 11.12$*). The results suggest that the effect of customer affection on behavioural customer loyalty is significant and stronger for younger customers (β = 0.322*) than for older customers (β = 0.106). This shows that the H6e is supported.

b. Gender (male and female)

From Table 6, gender had a significant moderating effect on the four hypothesized paths, except for the link between procedural justice and customer affection. For H7a, gender moderates the relationship between distributive justice and customer affection ($\Delta\chi2 = 4.29$). The effect of distributive justice on customer affection was stronger when the customer was female (β = 0.521*) than male (β = 0.213*). Similarly, in H7b, the effect of interactional justice on customer affection varies by gender ($\Delta\chi2 = 6.12$). Research shows that interactional justice has a greater impact on female customers (β = 0.429*) than on male customers (β = 0.312*). In H7c, gender moderates the relationship between customer affection and attitudinal customer loyalty ($\Delta\chi2 = 6.82$). The effect of customer affection was stronger for female customers (β = 0.432*) than for male customers (β = 0.164) and insignificant. Therefore, the result for H7d is partially supported. Furthermore, for H7e, gender also moderates the relationship between customer affection and behavioural customer loyalty ($\Delta\chi2 = 4.32$). The impact of customer affection has a significant impact on behavioural customer loyalty for female customers (β = 0.222*), and is not insignificant for male customers (β = 0.231). As a result, hypothesis H7e is partially supported.

Table 6. Moderating role of customer age and gender on the hypothesized paths						
	Customer age (mean-38.46years)			Gender		
path	Younger	Older	Δχ2	Male	Female	

	(N_y=681)	(N_o=248)		(N_f=611)	(N_m=318)	$\Delta\chi2$
DJ->CA	0.325* (4.24)	0.626* (2.08)	3.39	0.213* (4.67)	0.521* (2.57)	4.29
IJ->CA	0.267* (3.68)	0.412* (2.58)	8.46	0.312* (2.45)	0.429* (9.15)	6.12
PJ->CA	0.322* (2.04)	0.216 (6.28)	7.82	0.285 (3.54)	0.571 (1.41)	Ns
CA->AL	0.116 (0.80)	0.324* (5.21)	4.21	0.164(6.28)	0.432* (3.82)	6.82
CA->BL	0.322* (7.85)	0.106* (2.63)	11.12	0.231 (1.13)	0.222* (2.83)	4.32
Notes: numbers in parentheses are t-values.						
* Significant at the $p < 0.05$ level.						

5. Discussion

In the context of service failure and recovery, it is vital to build and enhance customer relationships. This study investigates the relationships among customer perceptions of justice, customer affection, and both attitudinal and behavioural customer loyalty. What sets this research apart from existing literature is its focus on customer affection as a crucial factor in service recovery—an aspect that has often been overlooked.

The findings reveal that distributive, procedural, and interactional justice significantly and positively influence customer affection. Specifically, customers value how they are treated during recovery (interactional justice), the fairness of the recovery procedures (procedural justice), and the tangible outcomes they receive (distributive justice). Notably, customers tend to feel more affection towards the procedural fairness of banks (e.g., policies, speed of recovery) and the behaviour of employees (e.g., courtesy and communication) than towards the tangible compensation received.

Moreover, this study expands the understanding of customer affection's relationships with attitudinal and behavioural loyalty. Poor service recovery can weaken customer relationships, leading to lower evaluations of provider performance and potential switching behaviours. This raises the question: how can providers maintain customer loyalty post-recovery? While previous research has highlighted the importance of customer satisfaction after recovery as a means to regain loyalty, this study suggests that mere satisfaction may not be sufficient. Customer affection plays a critical role in predicting the likelihood of positive word-of-mouth (attitudinal loyalty) and increasing repurchase frequency (behavioural loyalty).

Additionally, attitudinal loyalty is positively influenced by customer affection, which further drives behavioural loyalty. This affection fosters a stronger emotional connection with the provider, encouraging customers to maintain ongoing relationships. The findings emphasize that customer affection, while historically less studied compared to satisfaction and trust, is crucial for building loyalty in the wake of service failures. Establishing this emotional bond is vital for enhancing the quality of customer-provider relationships following service failures.

5.1 Implications

The findings of this study contribute significantly to the literature on service recovery by addressing the fundamental question for service providers: "How can a service provider enhance the attitudinal and behavioural loyalty of customers?" One critical precursor to behavioural loyalty identified in this study is customer affection. Despite the emotional dimension receiving limited attention in prior research, this study highlights its importance. Thus, service recovery efforts should focus on enhancing customer affection for the provider.

This necessitates the training and development of front-line employees, who are instrumental in nurturing this emotional bond during service recovery. Service managers must also continuously improve existing systems and procedures, enabling employees to respond effectively to customer complaints and foster customer affection.

Prior literature has identified customer satisfaction, service quality, and trust as antecedents to customer loyalty. In the context of service recovery, attitudinal customer loyalty emerges as a significant precursor to behavioural loyalty. Loyal customers tend to share positive experiences and recommendations about the provider. Thus, it is essential to cultivate behavioural loyalty, which is significantly influenced by customer affection, to ensure a base of attitudinally loyal customers. While other antecedents such as emotions and trust have been discussed, this study emphasizes the importance of cultivating an emotional bond (customer affection) to strengthen relationships and enhance loyalty.

Furthermore, bank employees are encouraged to tailor their recovery processes according to demographic factors such as age and gender, which have been identified as important moderators in the relationship between provider recovery and customer loyalty.

5.2 Limitations

Like any research, this study has its limitations. Firstly, the reliance on a self-administered survey may introduce recall bias, and it is recommended that future research employ experimental designs to enhance the validity of findings. Nonetheless, the authors argue that survey research remains relevant in this context, as experimental studies might not accurately represent real-world scenarios.

Additionally, cross-cultural research examining customer perceptions of recovery across different cultures could provide further insights, especially since this study was conducted in various states of India. Future studies should also consider demographic variables such as failure severity, type of failure, and tenure with service providers as potential moderators in the model. It would be beneficial for the Indian banking sector to investigate how competitors handle service failures. Lastly, the convenience sampling method used in this study may not adequately represent the broader Indian banking population. Future research could explore this model in other service sectors where service failures and recoveries are commonplace..

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