

The Role of ADR in Transforming Dispute Resolution Mechanisms for Informal Economies

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Abstract

This paper explores the role of Alternative Dispute Resolution (ADR) in transforming dispute resolution mechanisms within informal economies. Informal sectors, characterized by small traders, street vendors, and micro-enterprises, often face conflicts that are difficult to resolve through traditional legal systems due to the costs, time, and accessibility barriers. ADR, comprising mediation, arbitration, and negotiation, offers a cost-effective and flexible alternative to formal litigation. This study evaluates ADR's effectiveness, challenges, and prospects in resolving conflicts within informal economies, especially in developing countries. A systematic literature review (SLR) was conducted to achieve this, analyzing 10 peer-reviewed articles published between 2016 and 2024. These studies employed various methodologies, including literature reviews, case studies, surveys, and mixed methods. The findings reveal that ADR is highly effective in resolving disputes in informal sectors, offering culturally sensitive and affordable solutions. Technology, such as e-ADR platforms, enhances accessibility, especially in remote or underserved regions. However, challenges such as resistance to non-litigious approaches, lack of awareness, and cultural barriers hinder widespread adoption. The analysis suggests that ADR, when tailored to the socio-cultural context of informal economies, can foster long-term sustainability and stability. Future research should address the barriers to ADR adoption and its scalability in different regions.

Keywords

Alternative Dispute Resolution, informal economy, mediation, arbitration, conflict resolution, e-ADR, socio-cultural factors, technology, sustainability, developing countries

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1. Introduction

In a modern economy, especially in third-world countries, informal economic sectors have significantly supported and contributed to the economy's growth. An informal economy may also be described as an extensive category of economic activities not regulated by a particular state's official legislation¹. These are the small traders, street vendors, casual workers, micro-enterprises and other unincorporated concerns. Such sectors are a source of living for millions of people who either cannot find a job that corresponds to their skills, education or opportunities or do not want to work under a formal employment system. However, one of the main issues of the population and enterprises of the informal sector is the need for more protection in the form of legal remedies and the ability to resolve conflicts.

Conflicts in the informal sector come from business trips, contractual problems, employment relations or whether to own property. In the past, the only way to solve such matters was through the courts, and as it is, this is either out of reach, expensive, or unsuitable for the workplace. Legal measures for handling conflicts are usually time-consuming, formal and costly, hence inapplicable to most people, especially those in the

¹ Roberto Dell'Anno, 'Theories and Definitions of the Informal Economy: A Survey' (2021) 36 *Journal of Economic Surveys*.

informal business². In addition, the legal structures of the societies may not accept or observe the nature of informal economies and how they solve their disputes. In many informal economies, people may need to learn of and have access to formal dispute resolution mechanisms. Therefore, conflicts persist unresolved and escalate to aggression, sometimes breaking up business relations central to the informal economy.

The informal economy has received practical and effective solutions through the Alternative Dispute Resolution (ADR). ADR refers to the various techniques used to settle disputes: mediation, arbitration, negotiation, and conciliation³. These mechanisms are relatively cheaper, easily accessible and more effective than the conventional judicial systems. They are also more suitable for the context of the informal economy, which is characterised by informal agreements, oral contracts, traditions, and business relationships. ADR is an easily accessible system designed to enable parties to solve their problems without a lawyer or going to court⁴. The system's flexibility is especially beneficial to those involved in the ISE, as many participants need more capital to fund a formal legal case.

For instance, mediation is a process in which two or more disputing parties assist a third, impartial person to arrive at a satisfactory resolution⁵. In contrast to the court case, the mediator cannot make the final call and dictate his/her decision but should focus on the parties' cooperation and communication⁶. The process here prevents conflict and preserves the business relationship, which may be vital in many informal economies where people transact business based on business relations. Arbitration is when an impartial person decides based on the negotiations between the involved parties⁷. It is less formal than arbitration, more efficient and flexible than the court process, and more frequently used than mediation. These ADR techniques are appropriate for the informal economy because they enable flexible methods of solving disputes that align with the cultural and social practices of the community.

However, cost is one of the most compelling benefits of ADR in the informal economies. Litigation is expensive, and in most cases, people and companies in the informal economy cannot afford to pay the costs of court cases. ADR mechanisms, nevertheless, can be considerably cheaper, and, in many cases, there are

² Mahmoud A Alabdali and Abdulrahman S Basahal, 'Strategies for Mitigating Labor Disputes in the Private Sector: Insights from Saudi HR and Legal Experts' [2024] *Employee Responsibilities and Rights Journal*.

³ Riya Gulati, 'Constructive Ways for Dispute Resolution: Employing Alternative Dispute Resolution (ADR) Techniques for the Reclamation of Justice' (2022) 1 *Wah Academia Journal of Social Sciences* 1 <<https://wahacademia.com/index.php/journal/article/view/1>>.

⁴ Chinwe Egbunike-Umegbolu, 'Contemporary Overview of Appropriate Dispute Resolution (ADR)' [2024] *Ius Gentium: Comparative Perspectives on Law and Justice* 1.

⁵ Benedikt A, Suslo R, Paplicki M, Drobnik J. Mediation as an alternative method of conflict resolution: A practical approach. *Family Medicine & Primary Care Review*. 2020;22(3):235-239. doi:10.5114/fmpr.2020.98252.

⁶ Anvar Aslanov, 'Mediation and International Water Disputes: A Strong Marriage? An Analysis of Mediation in the Context of Methods of International Dispute Resolution' (2021) 28 *Willamette Journal of International Law and Dispute Resolution* 121 <<https://www.jstor.org/stable/27137182>>.

⁷ Beimel, I.H. (2021). Independence and Impartiality in International Commercial Arbitration. [online] edoc.unibas.ch. Available at: <https://edoc.unibas.ch/87369/>.

free and low-cost community-based ADR programmes that have been successfully introduced to meet the needs of informal employees⁸. Also, ADR processes are usually less time-consuming than conventional judicial systems, as the latter is generally congested and slow⁹. This means businesses can resume normalcy sooner, and there is less of an economic toll collected by people with unresolved issues.

Furthermore, ADR is a much more fluid and malleable system than formal legal structures, which is a significant advantage in informal economies where business structures, social relations, and even lack of set contract agreements are constantly in flux¹⁰. This makes ADR flexible because it can fit the local community by ensuring that the conflict resolution processes being taken into practice are in tandem with the community's culture, beliefs and requirements. In many informal economies, personal and business relationships are valued, and the conflict is solved to maintain good relations with the other party, which may be necessary for future cooperation. The fact that ADR concentrates on keeping relationships such makes it a very appealing process.

However, there are challenges that the informal economies will experience when adopting ADR. Another big problem that hinders ADR in these sectors is a perceived need for greater understanding and confidence in those procedures. In most situations, the parties may regard ADR as less formal or authoritative than the court system. A significant challenge is the general ignorance of the advantages and processes involved in ADR, which leads to its limited use. In addition, culture plays a role by promoting informal social networks or traditional dispute resolution practices that may either support or compete with the structured ADR systems¹¹. Sometimes, people may be reluctant to participate in ADR due to a lack of confidence in external third parties. Therefore, informal sector workers must create awareness, acceptance, and trust in ADR processes.

This paper explores ADR's contribution to altering the dynamics of dispute resolution mechanisms in informal economies and its strengths, weaknesses, and prospects. The study seeks to provide a perspective on how ADR can increase justice delivery, facilitate unity among people and advance business in the informal economy. Using case studies, research data, and theoretical models, this paper will discuss how the ADR mechanisms should and could be tailored to the informal economies' needs and help achieve a more fair and efficient resolution of the conflicts. The study results will benefit policymakers, practitioners and academicians interested in enhancing the effectiveness of the informal economy through ADR processes.

⁸ R Home, 'Land Dispute Resolution and the Right to Development in Africa' (2020) 45 *Journal for Juridical Science*.

⁹ Nga, P. thanh (2022). *ADR Strategies: Navigating Conflict Resolution in the Modern Legal World*.

[online] Google Books. Available at:

https://books.google.com.pk/books?hl=en&lr=&id=q_4IEQAAQBAJ&oi=fnd&pg=PA70&dq=ADR+processes+are+usually+less+time-consuming+than+conventional+judicial+systems

¹⁰ Debbie De Girolamo, 'ADR, Cultural Heritage and Intellectual Property: A Continuum of Dispute Resolution Processes' [2022] Edward Elgar Publishing eBooks 544

<<https://www.elgaronline.com/edcollchap/book/9781800376915/book-part-9781800376915-38.xml>>.

¹¹ Amy J Cohen, 'The Rise and Fall and Rise Again of Informal Justice and the Death of ADR' (2022) 54 *Connecticut Law Review* 197

<<https://heinonline.org/HOL/LandingPage?handle=hein.journals/conlr54&div=9&id=&page=>>>.

2. Methodology

The method section explains the structure and process followed in the development of this literature review. The first objective is to examine the use of ADR in reshaping the conflict solution systems in the informal economy. Here, the authors outline the approach to review the search method, eligibility criteria for the studies to be included and excluded, and the method that will be used to analyse the data.

2.1 Search Strategy

The scope of this SLR is to identify and include high-quality and relevant studies on ADR mechanisms in informal economies. The keywords to be used in the search were ‘Alternative Dispute Resolution (ADR)’, ‘informal economy’, ‘dispute resolution systems’, ‘mediation,’ ‘arbitration’ and ‘conflict resolution in informal employment’. These keywords help in the search process in academic databases like Google Scholar, JSTOR, Scopus, SpringerLink, and ProQuest, which will include only peer-reviewed articles, books, and conference papers published between 2019 and 2024. Boolean operators like “AND”, “OR” and “NOT” will be employed to filter the results. This strategy helps in giving a comprehensive and exhaustive review of the literature and also a comparative study of the views of ADR mechanisms on the global level as well as on the regional level.

2.2 Inclusion and Exclusion Criteria

The selection criteria for this SLR are targeted towards identifying studies that directly report on ADR processes in informal economies. It has been necessary that the studies under analysis consider ADR approaches like mediation, arbitration, or negotiation in the informal economy, including micro-enterprises, street vendors, and self-employed workers. Only the publications that have been published from 2016 to 2024 were considered in this study, as the literature analysis focuses on the recent developments in the field to capture the current trends in practise. The studies must encompass both developed and, particularly, developing countries because the informal economy is more characteristic of the latter. The exclusion criteria exclude papers irrelevant to the study question, including papers that address formal economies and theoretical frameworks that are not grounded in practise. Also, articles in languages other than English and nonacademic sources (for example, blogs, and opinions) will be omitted to provide the highest quality of the review.

3. Data Analysis and Synthesis

Thematic analysis is used in this review to analyse patterns or themes in the literature. The first data analysis step in the thematic analysis entails categorising the literature into themes like the role of ADR in the sectors, challenges to ADR, cultural aspects influencing ADR and case studies of informal sectors. Each study will identify the following aspects: the ADR methods employed, geographical location, and the influence on informal economies. The research focus on the success and cost of ADR, the role of ADR in accessing justice, and the impact of ADR on the relations of the parties to the dispute. Challenges that may hinder the practise of ADR, including socio-cultural or institutional, are highlighted. Last, this report synthesises the findings in textual format accompanied by tables or figures, affording a coherent account of the role of ADR in reshaping the nature of dispute management in informal economies.

PRISMA Flow chart

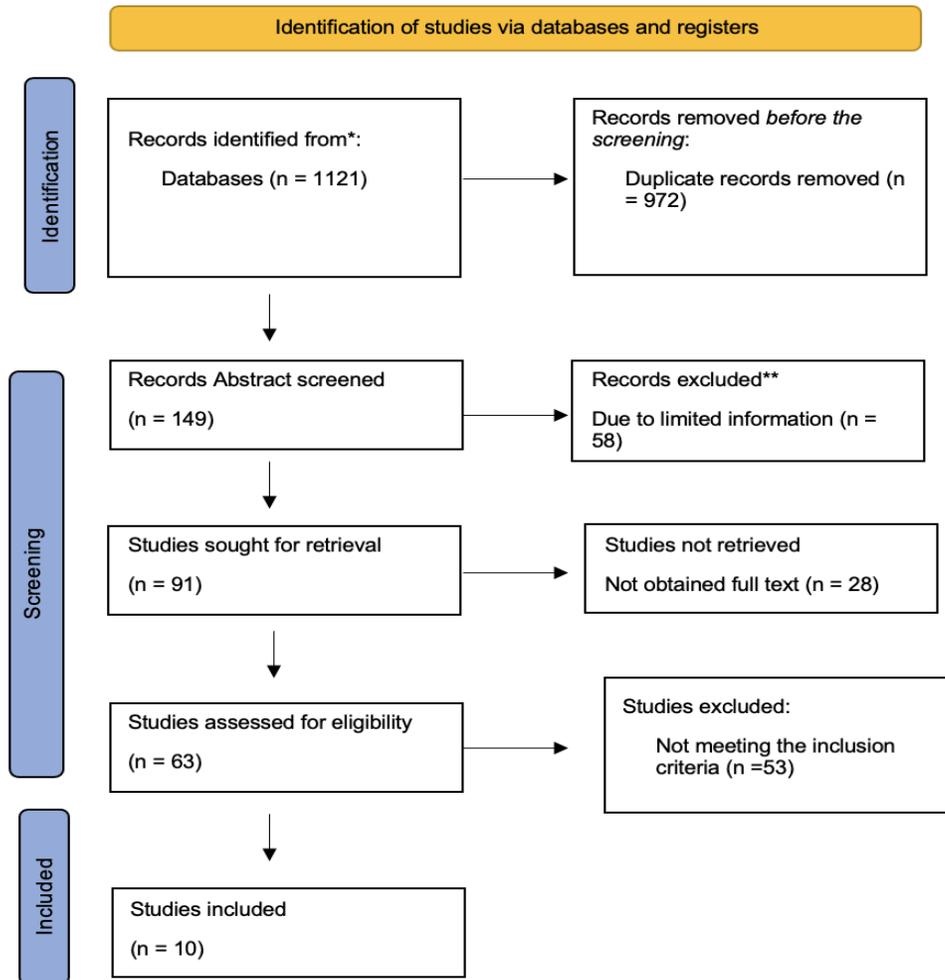


Figure 1: PRISMA Flowchart

4. Results

The SLR table of selected studies in this research are mentioned below.

Article reference	Database	Method	Key findings
Agegnehu, S.K., Dires, T., Nega, W. and Mansberger, R., 2021. Land tenure disputes and resolution mechanisms: Evidence from peri-urban and nearby rural Kebeles of Debre Markos town, Ethiopia. <i>Land</i> , 10(10), p.1071.	MDPI	Case study	This research analysed the challenges of land tenure in peri-urban and rural farming communities neighbouring Debre Markos town, Ethiopia. It points out that land issues are prevalent because of ambiguous land rights regimes, multiple land utilization and customs. The research focuses on the local government and the community measures to address such issues as the study mentions implementation problems and lack of sufficient capacity.

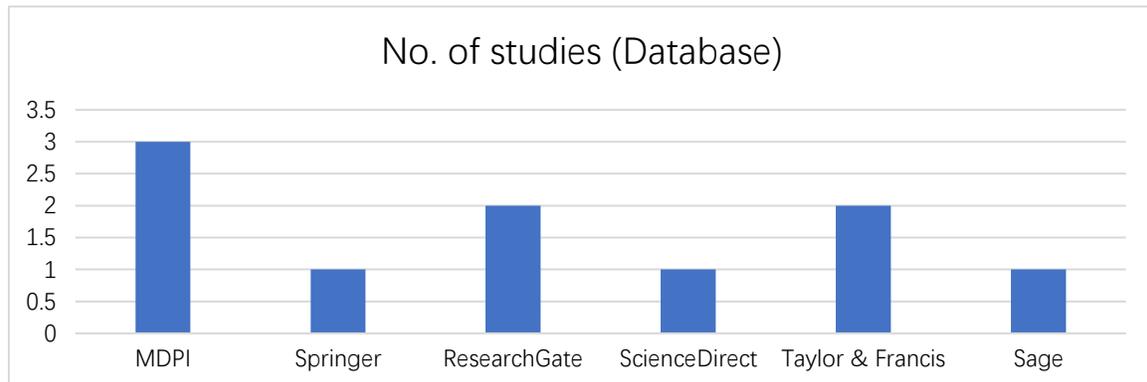
Hassan, K.H., Yusoff, S.S.A., Mokhtar, M.F. and Khalid, K.A.T., 2016. The use of technology in the transformation of business dispute resolution. <i>European journal of law and economics</i> , 42, pp.369-381.	Springer	Literature review	This paper focuses on the effects of technology especially through digital media and other online tools in business dispute resolution. This paper covers aspects such as efficacy, economical and availability of technology in the management of disputes touching business organisations, and prognosticates the emergence of ODR systems as relevant sources of appropriate resolution to the traditional court litigation procedures.
Egbunike-Umegbolu, C., 2024. Types of Dispute Resolution and Its Effectiveness. In <i>Appropriate Dispute Resolution in Comparative Perspectives: Nigeria, the UK, and the US</i> (pp. 29-57). Cham: Springer Nature Switzerland.	Research Gate	Literature review	This research presented different forms of the method of conflict solving (e.g. negotiations, mediation, and arbitration) in Nigeria, UK, and US. It then goes further and compares their efficiency with emphasis on the cultural/legal/procedural context of these countries. According to the study, the discovery is that ADR mechanisms are effective provided that they depend on local circumstances and people's participation.
Lee, C.K., Yiu, T.W. and Cheung, S.O., 2016. Selection and use of alternative dispute resolution (ADR) in construction projects—Past and future research. <i>International Journal of Project Management</i> , 34(3), pp.494-507.	ScienceDirect	Survey	This paper is a discussion on how ADR options are used in the construction industry particularly focusing on the increasing importance of ADR in the settlement of disputes pertaining to construction projects. It lists variables including size, complexity, and relations of the parties selecting ADR and provides directions for future studies enhancing ADR in construction.
Menkel-Meadow, C., 2018. Ethics in alternative dispute resolution: New issues, no answers from the adversary conception of lawyers' responsibilities. In <i>Mediation</i> (pp. 429-476). Routledge.	Taylor & Francis	Literature review	There are some issues of professional ethics in ADR especially mediation where the lawyer's duty and functions may go contrary to the conflict solving mechanism identified with the process. The paper also offers a pessimistic view towards the conventional adversarial characterization of legal ethics in ADR and emphasizes the requirement of neutrality and equality.
Illankoon, I.M.C.S., Tam, V.W., Le, K.N. and Ranadewa, K.A.T.O., 2022. Causes of disputes, factors affecting dispute resolution and effective alternative dispute resolution for Sri Lankan construction industry. <i>International Journal of Construction Management</i> , 22(2), pp.218-228.	Taylor & Francis	Mixed-method	This work reveals that relationship deterioration in the Construction industry in Sri Lanka is caused by problems like communication issues, contractual misinterpretation, and time issues. The paper focuses on using what is referred to as ADR processes such as mediation and arbitration to counter these sorts of disputes, and underscores the necessity of increased

			knowledge of the ADR practices among the industry members.
Wang, S., Li, Y. and Khaskheli, M.B., 2024. Innovation Helps with Sustainable Business, Law, and Digital Technologies: Economic Development and Dispute Resolution. <i>Sustainability</i> , 16(10), p.3910.	MDPI	Literature review	In this article the authors aims to analyse the possibilities for implementing sustainable business solutions through technology, such as digital platforms and practical legal technologies. It claims that using technology in the resolution of disputes aids in efficiency, and compliance with sustainable development goals because it eliminates the costs incurred in the use of traditional approaches.
Huang, G., Xue, D. and Wang, B., 2020. Integrating theories on informal economies: An examination of causes of urban informal economies in China. <i>Sustainability</i> , 12(7), p.2738.	MDPI	Survey	The paper employs a synthesis of different economic conceptions to analyse the development of informal economies in Chinese cities. It considers issues such as, government policies, immigration and hitches such as economic disparity as important triggers to informality. The paper also considers some issues inherent in the regulation and resolution of conflicts within the confines of sectors that are not governed by statute law.
Hann, D., Nash, D. and Heery, E., 2019. Workplace conflict resolution in Wales: The unexpected prevalence of alternative dispute resolution. <i>Economic and Industrial Democracy</i> , 40(3), pp.776-802.	Sage	Case study	New perspectives for further debate on conflict regulation in Wales are revealed in this work on ADR implementation and, particularly, mediation. In it, he underlines advantages of ADR in decreasing the conflict within workplace and establishing more unitary relationships between employers and employees and, at the same time, he also lists the potential limitations to ADR including lack of awareness and training.
de SOUSA, R.R.P. and de OLIVEIRA, G.C., 2021. CONFLICT RESOLUTION INTERVENTIONS IN THE CONFLICT CYCLE1.	Research Gate	Mixed-method	The information presented in this paper concentrates on the conflict cycle and the various actions that can be taken at one stage to solve a conflict. It defines how some conflicts develop and why there is need for stakeholders to curb them at early stages. The authors argue that where different conflict resolution approaches namely negotiation, mediation and arbitration are intertwined, people achieve more lasting solutions.

4.1 Databases of selected articles

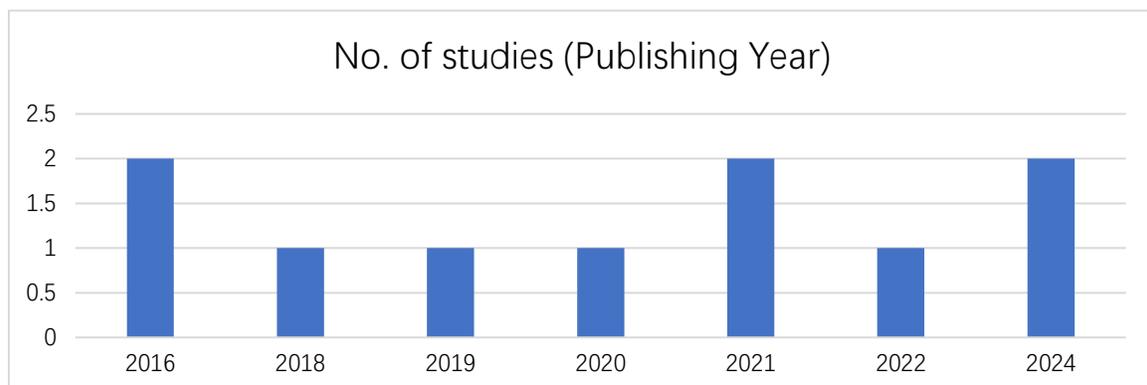
The studies selected for this research were evaluated from different articles as mentioned below. The databases included ResearchGate, ScienceDirect, Taylor & Francis, and MDPI. Majority of the articles were

selected from MDPI (3), 1 from Springer, ScienceDirect, and Sage. And while 2 were selected from Taylor & Francis.



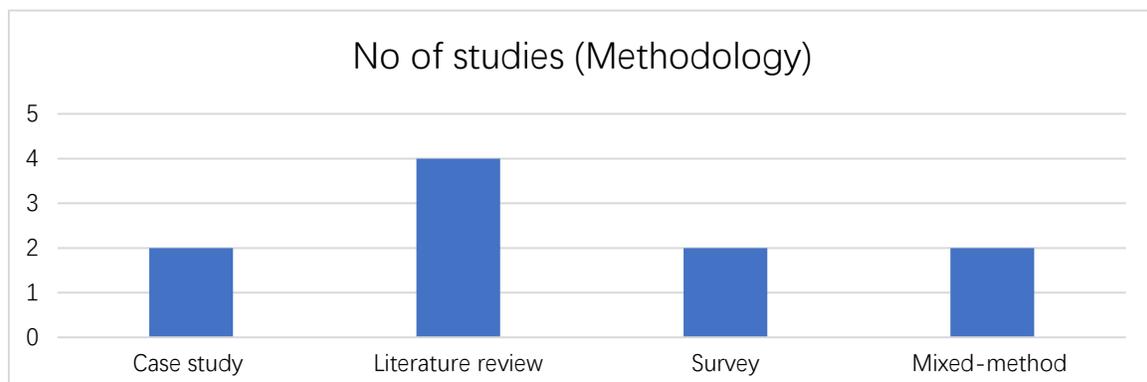
4.2 Year of selected articles

The studies selected belonged to a year range of 2016-2024. A total of 6 articles were selected from 2016, 2021, and 2024 (2 each). While the rest were from 2018, 2019, 2020, and 2022. There was no specific article evaluated from the year 2017.



5. Methodology of Articles

The selected articles in this research adopted various methods. Majority of them (4) conducted literature review, 2 adopted case study, 2 adopted survey methodology, and 2 conducted mixed method.



6. Discussion

The systematic literature review (SLR) on the role of ADR in transforming the formal dispute resolution systems for informal economies has identified several emerging themes, which help explain how ADR can reorient the processes of dispute resolution for greater efficiency and inclusiveness in informal economic environments. Based on the references selected for the SLR, the following themes emerged as central to understanding ADR's impact on informal economies:

6.1 Effectiveness of ADR in Informal Economies

From the papers, one main theme that emerges involves the role of ADR in handling disputes in informal economy. ¹²notes that generally in the rural and peri-urban parts of Ethiopia, resolution of land disputes is done through the community by use of mediators and arbitrators. These mechanisms are more culturally sensitive and economically reasonable than legal recourse which is financially beyond a person exists in the informal sector.

Also, authors¹³ discusses different kinds of ADR processes and puts great emphasis on their flexibility since they are beneficial in various settings. Setting up of ADR tools such as mediation, conciliation, and negotiation to manage disputes can work well in In IOC's because the efficiency of handling such cases is high and may not allow conflicts to fester.

Also, whereas ¹⁴ state that ADR have been effective in construction and infrastructure development, a field that is highly in formality. Such conclusions shed light on ADR's flexibility and affordability, a particularly important set of advantages when dealing with the more or less unregulated sectors where access to formal mechanisms may take much time, cost much money or be utterly challenging.

6.2 Technological Integration in ADR

Another emerging agenda is how technology is being used to either disrupt or enhance the practice of ADR especially in those informal economy settings. Technology in Business Dispute Resolution Hassan et al. (2016) ¹⁵ proves that technology like the ODR has significantly transformed business dispute resolution. Especially for the informal economies, it plays a crucial role because it is difficult for everyone to get an introduction to the formal legal structures and there are geographical barriers often that do not allow people to communicate face-to-face.

Research also advance on this idea deepening the relationship between innovation, sustainability, and ADR and point out that e-ADR platforms, such as e-mediation, video arbitration, and the like have enhanced the

¹² Agegnehu, S.K., Dires, T., Nega, W. and Mansberger, R., 2021. Land tenure disputes and resolution mechanisms: Evidence from peri-urban and nearby rural Kebeles of Debre Markos town, Ethiopia. *Land*, 10(10), p.1071.

¹³ Egbunike-Umegbolu, C., 2024. Types of Dispute Resolution and Its Effectiveness. In *Appropriate Dispute Resolution in Comparative Perspectives: Nigeria, the UK, and the US* (pp. 29-57). Cham: Springer Nature Switzerland.

¹⁴ Lee, C.K., Yiu, T.W. and Cheung, S.O., 2016. Selection and use of alternative dispute resolution (ADR) in construction projects—Past and future research. *International Journal of Project Management*, 34(3), pp.494-507.

¹⁵ Hassan, K.H., Yusoff, S.S.A., Mokhtar, M.F. and Khalid, K.A.T., 2016. The use of technology in the transformation of business dispute resolution. *European journal of law and economics*, 42, pp.369-381.

accessibility, affordability, and timeliness of ADR making it more suitable to the context of informal economy.¹⁶ However, the scalability of digital solutions is the most valuable for economies that are not highly integrated or where companies work outside the scope of the legal framework. Technological application has impacted greatly on ADR in a way that has made ADR easily accessible, efficient and effective. Current research shows that there has been increased use of technology in improving dispute resolution activities. Hassan et al. (2016) also highlight how technology when used in business and commercial disputes fosters effective communication, is cheaper within the shortest time possible can foster expeditious resolution. ODR Platforms with AI support and machine learning, have been well-documented to enhance the efficiency of dispute resolution especially in international preservation (Wang et al., 2024).

Furthermore, technology guarantees a more effective practice of ADR because it will facilitate access to centres through technology for those in remote areas or regions that do not have enough facilities to provide for the practice.¹⁷ However, adoption born with some pros and cons for instance, organizational security in the technological enhanced business and digital divide. Researchers for instance argue that some socio-economic players may lack the enlightenment or capital required to optimize on digital dispute solution platforms and this in equal measure worsens the inequality map.¹⁸ Moreover, the human aspect of ADR, including aspects like empathy or impartiality of a mediator, should not be covered by technology while it stays one of the sources to build up and maintain trust.¹⁹

The use of technology, therefore, hold the potential of extending more informal ADR mechanisms that aim at empowering people in the informal economy since they provide other accessible and inexpensive means for handling conflict.

6.3 Culture and Context Specific Approach to ADR

Cultural and contextual factors also play a major role in determining why or why not ADR works for informal economies. When recommending ADR, bringing into consideration ethics and culture of the organization and society, especially in organizations where the traditional legal system prevails should be the major focus of the author.²⁰ The informal economies are therefore developed out of local practices, and the ADR procedures should be culturally acceptable in the region.

Illankoon et al. (2022) study Sri Lanka construction industry where use of ADR to settle disputes has emerged. His study also strongly highlighted that ADR mechanisms should be localized when it comes to the economic and social environment so that they can be more efficient. These mechanisms can only be fully effective when there is recognition of power relations, ivic, and communicative paradigms as provided for in

¹⁶ Wang, S., Li, Y. and Khaskheli, M.B., 2024. Innovation Helps with Sustainable Business, Law, and Digital Technologies: Economic Development and Dispute Resolution. *Sustainability*, 16(10), p.3910.

¹⁷ de SOUSA, R.R.P. and de OLIVEIRA, G.C., 2021. CONFLICT RESOLUTION INTERVENTIONS IN THE CONFLICT CYCLE1.

¹⁸ Hassan, K.H., Yusoff, S.S.A., Mokhtar, M.F. and Khalid, K.A.T., 2016. The use of technology in the transformation of business dispute resolution. *European journal of law and economics*, 42, pp.369-381.

¹⁹ Menkel-Meadow, C., 2018. Ethics in alternative dispute resolution: New issues, no answers from the adversary conception of lawyers' responsibilities. In *Mediation* (pp. 429-476). Routledge.

²⁰ Hann, D., Nash, D. and Heery, E., 2019. Workplace conflict resolution in Wales: The unexpected prevalence of alternative dispute resolution. *Economic and Industrial Democracy*, 40(3), pp.776-802.

the communities concerned. It is therefore generally agreed that the outcomes of ADR procedures are often coloured by cultural and environmental factors. Trying to implement ADR across the board does not work because cultures vary and so does how disputes are handled. For instance,²¹ look at how construction projects in several countries choose and apply ADR techniques and explain that culture that favors integrative forms of decision-making and compromise over the legal battles preferred in countries predominantly legalistic and Cartesian in nature. For instance, some societies originated from the Middle East or Asia prefer to uphold relationships and social order, and hence, ADR which involves mediation or negotiation is normally preferred over litigation.²² On the other hand, cultures with collectivistic orientation are likely to lean much more towards arbitration or other more formal ADR processes that are likely to provide a more direct way of resolving such conflicts as a significant number of them.²³

According to Menkel-Meadow (2018) it is highly crucial to address such cultural activities since it enhances the efficiency of the ADR interventions to comport with the local culture and norms. Some of the conditions that surround the several ADR processes are the legal framework of the setting such as the country's legal requirements, economic context, availability of resources etc. For instance, de Souza & de Oliveira (2021) agree with the view that deprivationalists remain relevant for regions where legal and enforcement infrastructure remains underdeveloped or volatile whereby legitimate and effective ADR is necessary. Very importantly, the analysis of cultural and contextual factors in ADR design will enable the practitioners to increase understanding and acceptance of the resolution processes that are suitable for the disputing parties.

In another study, Huang et al. (2020) discuss the nature of informal economy and its genesis in the context of China to argue why ADR has to be sensitive to the issues and practices the participants are facing. This is a big advantage of ADR in handling disputes in IE – because it can be flexible and be aligned to the traditions or the circumstance of the location of the choice of procedure and not the other way round.

6.4 Obstacles to the Promotion of ADR

However, the usage of ADR in informal economies is not without some drawbacks as shall be seen below. Hann et al. (2019) explore the effect of ADR on workplace disputes in Wales and notice the increased popularity of the approach. However, there are several barriers to the full implementation of ADR: resistance to non-adjudicative methods, lack of information, and the view that ADR procedures are unstructured or substandard. Some of the disputing parties in the informal economy have no prior knowledge of ADR processes and consider them as a second-best option to the conventional legal solutions. As a result, there is a failure to appreciate the use of ADR as a legitimate way of solving disputes. Moreover, Han et al. (2019) noted that ADR may experience the following difficulties in addressing deeply rooted conflicts, which stem

²¹ Lee, C.K., Yiu, T.W. and Cheung, S.O., 2016. Selection and use of alternative dispute resolution (ADR) in construction projects—Past and future research. *International Journal of Project Management*, 34(3), pp.494-507.

²² Illankoon, I.M.C.S., Tam, V.W., Le, K.N. and Ranadewa, K.A.T.O., 2022. Causes of disputes, factors affecting dispute resolution and effective alternative dispute resolution for Sri Lankan construction industry. *International Journal of Construction Management*, 22(2), pp.218-228.

²³ Egbunike-Umegbolu, C., 2024. Types of Dispute Resolution and Its Effectiveness. In *Appropriate Dispute Resolution in Comparative Perspectives: Nigeria, the UK, and the US* (pp. 29-57). Cham: Springer Nature Switzerland.

from power dynamics, social cleavages, or bitterness. In the informal economy, where one party may not have access to information or legal representation as the other, ADR may be considered biased. Forced relationships of power between two or more parties can compromise the ADR processes by making some of the parties more vulnerable. This is especially problematic where ADR structures are used in high-stake disputes over land, property, or labor rights in informal court settings. In such cases, ADR will not necessarily redress the imbalance in power relations and, in the absence of protective measures, may even consolidate rather than seek to alleviate conflict. To address these barriers, the study recommends raising awareness of the advantages of ADR and training both providers of dispute resolution services and users of the informal economy. Practitioners require training in capacity-building programs that prepare them to handle fluid, informal sector conflicts. In addition, there is a need to pay attention to the ways in which ADR processes are as culturally appropriate and relevant to the informal economy as the experience of informal workers indicates that the processes of mediation involve power relations. These measures will enhance the efficiency, neutrality, and procedural justice of ADR in the informal dispute resolution.

6.5 Sustainability and Long-term Impact of ADR

Last of all, the future prospects and scalability of ADR practices for informal economic sectors forms a research interest. Wang, Zhang, and Ip (2024) posit that ADR, particularly when combined with the tools of the digital age, can help to realise durable enterprise forms in the IE by preserving diverse mechanisms for the management of conflicts. It may encourage more trust in business dealings, cut down on cost of conflicts, leading to economic losses and create overall economic order.

Similarly, researchers have also observed that ADR mechanisms that are able to be effectively implemented are major determinants of encouraging the development of peace and stability in the informal economies particularly in the regions whereby issues to do with land and property are main subjects of disputes.²⁴ Not only do these mechanisms help address particular conflict situations but they also contribute to building the shared expectations necessary to climate of stability for economic actors.

6.6 Limitations of the Study

Despite the valuable insights gained from this systematic literature review (SLR) on Alternative Dispute Resolution (ADR) in informal economies, several limitations need to be acknowledged. First, most of the retrieved articles that were selected for review were either case-based or review articles, which may not have involved the collection of original data. This restricts the transferability of the findings that are deduced from the conducted research to other informal economies because case studies are usually conducted on samples of certain geographical areas or sectors. Further, the study mostly focuses on articles published in the last few years (2016-2024), and the findings may not contain the historical analysis of ADR in informal economies. The dynamic growth of ADR, especially concerning technology implementation, may indicate that previous research is outdated. A limitation of the current review is that most of the selected articles were country-specific, with only Ethiopia, Sri Lanka, and China. Although the insights provided by these countries are relevant, one should be cautious when generalizing the results to other countries since the socio-cultural and legal environments might be different. Finally, the study encountered difficulties in explaining all types

²⁴ Huang, G., Xue, D. and Wang, B., 2020. Integrating theories on informal economies: An examination of causes of urban informal economies in China. *Sustainability*, 12(7), p.2738.

of barriers to ADR, including socio-political barriers and legal restrictions that may differ from one informal economy to another.

6.7 Future Recommendations

Studies of ADR in informal economies should be extended to cover more settings, especially in the global south where informal economies dominate. More research could also be done on the longitudinal effect of ADR, especially in rural areas or areas that are not well-endowed with medical personnel. Such studies should also adopt the use of both qualitative and quantitative data to give a better view of how and when ADR processes are considered and implemented in the informal economy. However, given that technology is also increasingly utilized in ADR, future research should examine the applicability of new-generation ADR tools and their delivery in underdeveloped areas where the use of technology tools is still constrained. The popularity of these platforms would be useful in investigating the impact of minimizing obstacles to conflict resolution and involvement. Furthermore, the cultural and contextual factors that facilitated success of ADR need to be discussed in more detail. Future studies can focus on the cultural influences, and organisational factors in acceptance and application of ADR in informal economies. Last, to tackle the issues of awareness and capacity building, research should be directed towards the development of and validation of campaigns and training for the public and for the ADR workforce. Such programs should seek to increase public understanding of the value of ADR, encourage its utilization, and educate people on the proper utilization of ADR instruments in the informal economy.

7. Conclusion

This systematic literature review therefore shines a light at how ADR has the potential of enhancing dispute resolution mechanisms within informal economies. The study shows the strength of ADR, which include; Cost-effectiveness, culture compliance and availability, which makes ADR more appropriate in solving disputes affecting the informal economy. In this way they make it possible to lessen the recourse to formal legal systems which are often too costly, slow or inaccessible in the numerous forms of common economy. Issues discerned in the literature including the efficiency of ADR in managing disputes, technological advancement and brings out the aspect of culture in ADR, indicates that there is a chance that ADR helps create more liberated, sustainable and fair economic setting. Of these tools, Digital ADR shows potential in improving access and the efficacy of the methods involved as well as improving ADR's implementation for the informal economy. Also, specific methods such as context dependency and cultural and political sensitivity are important to the success of ADR undertakings.

However, incorporating ADR in these informal economies is not without its drawbacks as this paper will soon point out. They include lack of awareness, resistance to anything that is not an adversary system, and the lack of institutional and human resources for building the capacity of the practitioners and the general public. Addressing these difficulties will involve increased awareness as well as education regarding alternatives to litigation, plus adequate consideration for every participant of the ADR process. In conclusion, ADR offers great promise in improving access to the processes of informal economies dispute resolution, and technology relevance coupled with cultural sensitivity, and sustained stakeholder involvement will determine the success of the approach. When applied properly, Facilitated ADR can go beyond addressing specific conflicts to improving the stability, viability and fairness in the economic activities that occur in the informal economy.

8. References

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