

Is Alternate Dispute Resolution (ADR) A Valid Mechanism to Overcome Trust Deficit of Investors in Pakistan

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Abstract

Trust is a key element for any investment others domestic investment or it's a foreign direct investment that will be increase like Pakistan have trust deficit of investors due to weak infrastructure and political instability. That combine policy of the state is required to attract investors from the globe that in aero of modernization every country is dependent on others for some reasons and resources. For the sake of economic development, the trust should be built. Countries like Pakistan have security issues, judicial interference and loose structure for supporting investment programs. Network developing trust some key issues should be resolved eradication of the evil like corruption and the bureaucratic red tapes should be resolved further developed system of dispute solution should be made for gaining the trust of investors. That country is like Singapore, India and Bangladesh have developed a model for attracting foreign investors which has given boost to their economy. And they have attracted a lot of foreign direct investment. That Pakistan should learn from these models and made necessary changes for building trust of international community.

Keywords

ADR, FDI, Policy reforms, Investments

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1. Introduction

In the contemporary globalized world, for fostering conducive environment for investment is a cornerstone of economic growth and development. For any nation, particularly developing economies such as Pakistan, a critical determinant of invest investors' confidence lies in the robustness, reliability, and efficiency of its legal and business framework. However, Pakistan's investment landscape has long been marred by a persistent trust deficit, reflecting investor's lack of confidence in the country's ability to provide timely and impartial resolution of disputes.¹ Distrust deficit is a multi-faceted issue stemming from systematic inefficiencies in the judicial system, bureaucratic hurdles, political stability and enforcement of legal rights. The resulting is uncertainty significantly hampers both domestic and foreign investments, telling economic progress and undermining Pakistan's competitive position in the global market. Trust deficit in the context, refer to a pervasive skeptis among investors regarding the capacity of the legal and business institutions in Pakistan to deliver transparent and reliable outcomes.² The judicial system, characterized by protracted

¹ Allee, T. (2010). Delegating differences: Bilateral investment treaties and bargaining over dispute resolution provisions. *International Studies Quarterly*, 54(1), 1-26.

² Anwar, M. (2008). *Enforcing Contracts By Culturing ADR For Economic Growth And Relief To Litigation Trodden Society Of Pakistan* (Doctoral Dissertation, Society Of Pakistan 1 Enforcing Contracts By Culturing ADR For Economic Growth And Relief To Litigation Trodden Society Of Pakistan A Dissertation Submitted To The Faculty Of Law University Of South Asia In Partial Fulfilment Of The Requirements For The Degree Of Llm By Mumtaz Anwar Student No: M-13032 Prepared Under The Supervision Of Prof. Dr. Muhammad

litigation processes, overwhelming case backlogs, high litigation cost, often fails to provide expeditious and effective resolution of commercial dispute.³ This inefficiency not only delays justice but also increase the cost of doing business, compelling investors to seek alternate jurisdiction or abandoned investment altogether. Similarly, the lack of consistent policy framework and perceived corruption within regulatory bodies' accessory bit exacerbate the trust deficit, lettering long-term commitments from both local entrepreneurs and international investors. In response to these challenges, alternate dispute relation (ADR) mechanisms have merged as a promising solution to bridge the trust cap and create a more investor friendly environment. ADR encompasses a range of dispute resolution processes, suggest mediation, arbitration and negotiation, that operate outside the conventional judicial system these methods prioritize efficiency, confidentiality and mutual consensus offering a stark contrast to the adversarial nature of traditional litigation. ADR has gained global recognition for its ability to resolve dispute swiftly and cost effectively, there by fostering test and corporation among parties.⁴ In particular, arbitration and mediation have become indispensable tool in international commercial transaction, where cross body disputes required neutral and impartial mechanism.⁵

The relevance of ADR in Pakistan is underscored by the countries ongoing effort to attract foreign direct investment FDI and improve its ranking on the ease of doing business index. The word banks that are consistently highlights the correlation between effective dispute resolution mechanism and investor confidence.⁶ For Pakistan, embracing ADR represents not only a legal reform but also an economic imperative. But institutionalizing ADR process the country can address systemic inefficiencies, enhance reinforceability of contracts and signal its commitment to upholding the rule of law. However, the adopting and implementation of ADR in Pakistan face significant hurdles, including limited awareness, lack of skill professionals and inadequate registered religious legislative frameworks. Objective of this article is to critically examine the potential of ADR in the mitigating the trust deficit of investors in Pakistan. It seems to explore how ADR mechanism can complement the traditional legal system and address the unique challenges faced by the countries business environment.⁷ Additionally, the research aims to analyze the existing legal and institutional frameworks governing area in the Pakistan and will wait their alignment with international best practices by drawing insights from successful EDR model worldwide this article in Xavier to propose actionable recommendation for enhancing the effectiveness of area in Pakistan Globally, area mechanisms have proven instrumental in dissolving complex dispute, particular intersections with overburden judicial

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³ Khan, A., & Mumtaz, M. (2020). Justice Delayed Is Justice Denied: Access to Speedy Justice and Alternative Dispute Resolution System in Pakistan. *JL & Soc. Pol'y*, 80.

⁴ Fouret, J., & Khayat, D. (2012). International Centre for Settlement of Investment Disputes (ICSID) case law review. *The Law & Practice of International Courts and Tribunals*, 11(1), 137-198.

⁵ Campisi, J. M. (2017). Social and political risks: Factors affecting FDI in China's mining sector. *Thunderbird International Business Review*, 59(6), 709-724.

⁶ Mehnaz. (2023). The role of alternative dispute resolution mechanism and its impact on the rule of law: A comparative study of Pakistan and Kazakhstan (Doctoral dissertation). University of Peshawar.

⁷ Mnookin, R. (1998). Alternative dispute resolution. Harvard Law School.

system. Countries like Singapore and the United Kingdom have successfully integrated ADR into their legal framework positioning themselves as hubs for international arbitration and mediation.⁸ These models demonstrate how effective area system can attract investment, enhance economic competitiveness, and strengthen the rule of law. For Pakistan, adopting similar approaches could yield substantial benefits, provided that the underlying. The trust deficit in Pakistan's legal and business sector is a deeply entrenched issue that demands a multi-dimensional response.⁹ ADR offer of a viable pathway to restore confidence by providing efficient, fare and accessible dispute resolution mechanisms. However, its success hinges on several factors, including legislative support, institutional capacity and stakeholder awareness. This article seeks to contribute to the ongoing discourse on ADR by highlighting its potential as a catalyst for economic growth and tools for rebuilding trust in Pakistan's investment climate by leveraging ADR Pakistan cannot only enhance investors' confidence but also pay the way for sustainable economic development in an increasingly competitive global economy.¹⁰

2. Literature Review

Pakistan, like other underdeveloped and third-world countries, has long sought investors to propel its economic growth. To attract investors, it is essential to demonstrate that Pakistan is an attractive destination for business. However, when investors enter the Pakistani market, conflicts inevitably arise, as is common in any business transaction. The existing litigation system, which is outdated, is ill-equipped to resolve these disputes efficiently. Therefore, it is crucial to develop an Alternative Dispute Resolution (ADR) system that operates independently of the judiciary.

Fortunately, ADR systems have been successfully implemented in countries with similar economic and social conditions, such as Bangladesh and India. These systems have provided prompt and effective dispute resolution mechanisms, which can be replicated in Pakistan. Moreover, Pakistan's ADR system can be aligned with international legal frameworks, such as those provided by the Singapore International Arbitration Centre (SIAC) and the Singapore Mediation Centre (SMC).

The adoption of ADR in Pakistan is also facilitated by the country's cultural relevance, as traditional dispute resolution mechanisms are already prevalent in various regions. However, the existing court system, which was inherited from the colonial era, is inadequate for resolving modern business disputes. Therefore, it is essential to establish an ADR system that is separate from the judiciary and equipped to handle complex business disputes.

To ensure the effectiveness of the ADR system, it is crucial to provide training not only to lawyers and the legal fraternity but also to professionals from various fields who are connected to the business world. By doing so, Pakistan can develop a robust ADR system that will facilitate the resolution of business disputes, ultimately attracting investors and promoting economic growth.

2.1 Research Problem

⁸ Kumari, P. (2020). Alternative dispute resolution (ADR). SSRN. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3626625.

⁹ Khan, A. N., & Rehman, H. A. (2020). Legal framework of foreign investment in Pakistan: An appraisal of protectionist approach.

¹⁰ Arshad, S. A., & Saleem, H. A. R. (2025). Integration of Alternate Dispute Resolution as a Complement to the Traditional Court System in Pakistan. *Research Journal of Psychology*, 3(1), 112-125.

The persistent trust deficit among investors in Pakistan is a crucial barrier to fostering a conducive investment environment. Despite the country's potential as an emerging market, systematic inefficiencies in the judicial and legal system, coupled with political economic stability, undermine investors' confidence. The traditional litigation process, characterized by delays, high costs, and inconsistent enforcement of decisions, exacerbates this trust deficit among investors in Pakistan. If so, what reforms and strategies are required to ensure its effectiveness.¹¹

They're such problem is two-fold. First, it seeks to investigate the role of ADR in addressing the systematic shortcomings of Pakistan's judicial and legal frameworks that contribute to the trust deficit. 2nd, it aims to explore the challenges and periods to the effective implementation of area in Pakistan, including legislative inadequate, lick off awareness and insufficient institutional support. By addressing these issues, the study seeks to provide a comprehensive understanding of ADRs potential in transforming Pakistan investment landscape.¹²

3. Understanding the Trust Deficit in Pakistan

The trust deficit among investors in Pakistan and its underlying causes, with the focus on legal and institutional factors. That to analyze the role of ADR mechanisms, including mediation and arbitration in mitigating the trust deficit and fostering investor fund. That to examine the existing legal and institutional framework governing ADR in Pakistan and assess their alignment with international best practices. That to identify the challenges and barriers to the effective implementation of ADR in Pakistan, including legislative gaps, lack of awareness and capacity constraints. That to propose actionable documentation for enhancing the effectiveness and accessibility of ADR mechanism in Pakistan common drawing insights from successful international models.¹³

This study is expected to contribute to the academic discourse on ADR and its role in addressing investor trust deficit in developing economies. By offering a detailed analysis of the Pakistan's context, the research aims to inform policy maker, legal practitioners and stakeholders on the reforms needed integrate ADR into the country's legal and business ecosystem effectively.¹⁴ The trust deficit in Pakistan represents a multi-faced challenge that significantly impact the nation's social, economic and institutional dynamics. The deficit refers to the pervasive lack of confidence among citizens, businesses and investors in the capacity of state institutions to deliver equitable, efficient and transparent services. Trust deficit particularly in the judicial and administrative systems have far reaching consequences, undermining the rule of law, stifling economic growth and deterring both domestic and foreign investments to address this issue comprehensively it is crucial

¹¹ Hussain, R. (2022). Autonomous Nature of Alternative Dispute Resolution (ADR) and its Role as Court Assistant in Pakistan. Available at SSRN 4219096.

¹² Muhammad, N., Ullah, F., & Warren, L. (2016). An institutional perspective on entrepreneurship in a conflict environment: Evidence from Pakistan. *International Journal of Entrepreneurial Behavior & Research*, 22(5), 698-717.

¹³ Akhtar, R. (2008). US-Pakistan trust deficit and the war on terror. US Army War College.

¹⁴ Shahid, M. S., & Abbas, M. (2019). Does corporate governance play any role in investor confidence, corporate investment decisions relationship? Evidence from Pakistan and India. *Journal of Economics and Business*, 105, 105839.

to examine the factors fueling trust deficit. The extent to which these issues erode confidence and the ways in which individuals and entities adapt to such a challenging environment.¹⁵

3.1 Factor Fueling Trust Deficits

These are few factors which cause trust deficit in Pakistan as these issues are the core reason why international player don't choose Pakistan as a place for investment or to do business as these factors combine destroy image of Pakistan in front of international community and for developing trust and these issues should be resolved to give strength to investment infrastructure.

3.1.1 Corruption

Go to planning South Asia, including Pakistan undermines governance and economic growth creating barriers for investor trust. Weak judicial system and governance gaps often result in prolonged disputes, increased transaction cost and mistrust among investors.¹⁶ According to Transparency International's corruption Perceptions index (2023), countries with higher levels of perceived corruption often struggle to attract foreign investment due to concern over fairness and transparency in legal proceedings.¹⁷

Corruption stands as one of the primary drivers of the trust deficit in Pakistan. Transparency international's corruption perceptions index consistently ranks Pakistan among the countries grappling with systemic corruption across public and private sectors corruption manifests in various forms including bribery, nepotism and misuse of public resources.¹⁸ Which not only undermines the delivery of public services but also fosters a culture of impunity. In the judicial system corruption often takes the form of bribery and influence peddling, eroding public confidence in the impartiality and fairness of legal outcomes. Investors, both domestic and international view corruption as a significant barrier to do business in Pakistan as it increases operational costs creates unpredictability and compromises the enforcement of contracts.¹⁹

3.1.2 Slow Bureaucratic Processes

The bureaucratic machinery in Pakistan is characterized by inefficiency red tape and delays. Administrative processes are often cumbersome, requiring extensive paperwork and multiple layer of approvals, which results in significant time and resource wastage.²⁰ For business these delays translate into increased costs and missed opportunities thereby discouraging entrepreneurial activities and foreign direct investment FDI. The inefficiency of bureaucratic processes also affects the enforcement of judicial decision leading to prolonged

¹⁵ Dogar, A. H., & Khalid, M. M. (2024). Economic consequences of political instability in Pakistan: a study of Fiscal policy and investor confidence. *Pakistan Social Sciences Review*, 8(3), 628-637.

¹⁶ Rahman, Z. U., & Javed, F. (2022). Corruption and Economic Growth in South Asia: journal of business and management cases, 12(2), 78-92

¹⁷ Transparency International. (2023). *Corruption Perceptions Index*. Retrieved from <https://www.transparency.org>

¹⁸ Imran, M., & Murtiza, G. (2023). The Prevalence of Corruption in Pakistan's Judicial and Law Enforcement Sectors. *Pakistan Languages and Humanities Review*, 7(1), 245-254.

¹⁹ Ismail, A., & Rashid, K. (2014). Time series analysis of the nexus among corruption, political instability and judicial inefficiency in Pakistan. *Quality & Quantity*, 48, 2757-2771.

²⁰ Aftab, N., Khan, M. F., & Ali, S. (2020). Pakistani bureaucracy: Crisis of governance, prospects and recommended reforms. *Electronic Research Journal of Social Sciences and Humanities*, 2.

litigation and frustration among litigants. This systematic inefficiency further exacerbates the trust deficit, as stakeholders perceive the government liability to deliver timely and effective solutions.²¹

3.1.3 Inconsistent Policy Enforcement

Policy inconsistency is another critical factor contributing to the trust deficit in Pakistan. Frequent changes in regulations, coupled with the lack of clarity and uniformity in policy implementation creates an unpredictable environment for businesses and investors. For instance, certain changes in taxation policies or trade regulations can disrupt business operations and erode confidence in the stability of the economic environment.²² Inconsistent enforcement of laws and regulations also undermined the rule of law, as it creates a perception of favoritism and inequality before the law such inconsistencies discourage long-term investments and foster a sense of insecurity among stakeholders (lose due to change of policy add whatever easily available and write about that with example where lose is made due to change in policy).²³

3.1.4 Lack of Transparency

Lack of transparency in decision making processes further deepens The trust deficit in Pakistan weather in governance, judiciary or business regulations, the absence of clear and open communication fuels suspicions of malpractice and favoritism. For example, an opaque public procurement process is often lead to allegation of corruption and inefficiency. While the lack of transparency in judicial proceedings undermine confidence in the fairness of legal outcomes. Transparency is a cornerstone of accountability and trust; it's absence creates a vacuum where misinformation, mistrust and skepticism thrive.²⁴

4. Erosion of Confidence in State Institutions and The Judicial System

Accumulative impact of these factors is a profound erosion of confidence in Pakistan's state institution and judicial system. Citizen and businesses faced with systematic inefficiencies and perceived corruption often view these institutions as incapable of upholding their rights or delivering justice. This loss of confidence manifest in several ways including reduced participation informal mechanism of dispute resolution and a growing reliance on informal system. Few reason are explained below and discussed in detail.²⁵

4.1 Judicial Inefficiencies

In Pakistan the judiciaries' inefficiencies and received susceptibility to political influence create significant barrier for investors who may fear delays unfair rulings or undue interference this underscore the importance of adopting alternate dispute resolution ADR mechanisms, which provides in partial and transparent processes outside the constraint of formal courts. By addressing the systematic issues ADR mechanisms can

²¹ Kalia, S. (2015). Human development in Pakistan and bureaucratic predicaments. *International Journal of Public Administration*, 38(3), 216-226.

²² Abbas, H. (2011). *Reforming Pakistan's Police and Law Enforcement Infrastructure*. Washington, DC: US Institute of Peace.

²³ Khan, A. H., & Kim, Y. H. (1999). Foreign direct investment in Pakistan: policy issues and operational implications.

²⁴ Transparency International. (2023). *Corruption Perceptions Index*. Retrieved from <https://www.transparency.org>.

²⁵ Botero, J. C. (2014). The delivery of justice in middle-income countries. *Law and Development of Middle-Income Countries: Avoiding the Middle-Income Trap*, 195-218.

help rebuild trust among investors making Pakistan a more attractive destination for board domestic and international investment.²⁶

The judicial system in Pakistan is plague by inefficiencies that undermine its credibility and effectiveness. Prolong delays in case resolution, overwhelming backlogs and high litigation cost that are individuals and businesses from seeking legal redress.²⁷ According to recent statistics it can take several years or even decades for cases to be resolved in Pakistan's code. This protected process not only denies justice to litigants but also reinforces the perception that the judicial system is inaccessible and unreliable. For investors, the inability to resolve dispute promptly and fairly represents a significant risk, further deterring economic activity and foreign investment.²⁸

4.2 Impact on Economic Growth and Investment

The trust deficit has performed implications for Pakistan's economic development. Investors, both local and international are reluctant to commit resources to an environment perceived as unstable and unpredictable.²⁹ The lack of trust in state institution increases the cost of doing business. As companies must allocate additional resources to navigate bureaucratic hurdle, mitigate corruption risks and resolved disputes. This environment stifles entrepreneurship, discourages innovation and limits the country ability to attract FDI a critical driver of economic growth.³⁰

5. The Potential of ADR in Addressing Trust Deficits

In countries like Pakistan, where trust deficits often arise from a lack of confidence in the formal judicial system, ADR mechanism could offer a more transparent and efficient resolution path, as seen in jurisdiction with robust ADR framework.³¹ ADR emphasizes collaborative problem-solving, transparency and mutual respect, all of which serve to rebuild trust between disputing parties.³² These principles align with the goal of addressing investor apprehension in market where legal processes are viewed as inefficient or inaccessible.³³ The potential of ADR mechanisms underscores to offer a more transparent, efficient and investor-friendly disputes resolution alternative, especially in nations where the formal judicial system in plagued by corruption.³⁴

²⁶ Kaufmann, D., Vicente, P.C (2001). *Corruption, trust and political influence*. Cambridge University press.

²⁷ Saeed, M. (2020). Improving Efficiency of the Court Service in Pakistan: A Comparative Study of the Options for Reform (Doctoral dissertation, Newcastle University).

²⁸ Zahid, N. A. (2008). GOVERNANCE AND JUSTICE. Strengthening Governance through Access to Justice, 166.

²⁹ Saqib, N., Masnoon, M., & Rafique, N. (2013). Impact of foreign direct investment on economic growth of Pakistan. *Advances in Management & Applied Economics*, 3(1), 35-45.

³⁰ Qayyum, A., Khawaja, I., & Hyder, A. (2008). Growth diagnostics in Pakistan. *European Journal of Scientific Research*, 24(3), 433-450.

³¹ García, C. E. (2020). *Arbitration and Mediation: A Comparative Analysis*. Cambridge University Press.

³² Menkel-Meadow, C. (Ed.). (2001). *Mediation: Theory, Policy and Practice* (1st ed.). Routledge. <https://doi.org/10.4324/9781315204826>.

³³ Ibid

³⁴ Transparency International. (2023). *Corruption Perceptions Index*. Retrieved from <https://www.transparency.org>

“Mediation facilitates dialogue between parties, allowing tailored solutions that address specific needs and rebuild confidence through participatory processes.”³⁵

Addressing investor concern through ADR The efficiency and cost-effectiveness of mediation, which can mitigate delays and financial burdens often associated with litigation.³⁶ For investor, this assurance of efficiency may act as a confidence-building measure.³⁷

“Mediation reduces the adversarial nature of disputes resolution, prioritizing efficiency and preserving relationship, which are critical in fostering investor trust.”³⁸

India has emerged as a critical tool in mitigating trust deficits in governance, business and legal systems. With its key attributes of neutrality flexibility confidentiality and cost effectiveness ADR provides a pathway for resolving disputes efficiently while fostering confidence informal system. In Pakistan, where the trust deficit is fueled by corruption, judicial delays and lack of transparency. ADR offers a transformative potential to rebuild trust among stakeholders. Key attributes of ADR in rebuilding trust. Neutrality: Indian mechanism are often overseen by neutral third parties ensuring that outcomes are free from bias and favoritism. This neutrality is crucial in the context where perceptions of judicial partiality have eroded public confidence. Flexibility unlike rigid code procedures, ADR allows parties to tailored processes to their specific needs this adaptability align with Pakistan's high context culture, where interpersonal relationships and informal agreements are highly valued. Confidentiality: Indian proceedings are typically private, with protects sensitive information and reduce the risk of reputational damage. This aspect is particularly appealing to businesses seeking to resolve disputes discreetly. Cost effectiveness The lower costs associated with ADR make it accessible to a broader range of stakeholders including small businesses and individuals who might otherwise avoid form legal channels.³⁹

5.1 Cultural Compatibility of ADR

Emphasis on dialogue and consensus resonate with Pakistan's cultural presence for interpersonal trust and community-based decision making. Mediation arbitration and conciliation, for instance allow disputing parties to actively participate in resolving conflicts, fostering a sense of ownership and satisfaction with the outcomes. This participatory approach contrast with the adversarial nature of litigation which often deepens divisions and mistrust.⁴⁰

³⁵ Menkel-Meadow, C. (Ed.). (2001). *Mediation: Theory, Policy and Practice* (1st ed.). Routledge. <https://doi.org/10.4324/9781315204826>

³⁶ Ibid

³⁷ United Nations Principles for Responsible Investment. (n.d.). *Responsible Investment in Infrastructure*. Retrieved from <https://www.unpri.org/download?ac=4467>.

³⁸ Pablo, J. (2024). Effectiveness of mediation and arbitration as alternative dispute resolution methods in Mexico. *Journal of Conflict Management*, 4(1), 38-50. <https://doi.org/10.47604/jcm.2383>.

³⁹ Opperman, V. K. (2000). The Pros and Cons of ADR, Including ADR/Litigation Hybrids. In *Sedona Conf. J.* (Vol. 1, p. 79).

⁴⁰ Goldsmith, J. C., Ingen-Housz, A., & Pointon, G. H. (2011). *ADR in business: practice and issues across countries and cultures* (Vol. 2). Kluwer Law International BV.

5.2 Competitive Successes in other Jurisdiction

Then breathe with challenges similar to Pakistan such as India and Bangladesh have successfully implemented ADR mechanism to address trust deficit. In India, for example: the introduction of lok adalats People's Court and mandatory arbitration clauses in commercial contract has significantly reduced court backlogs enhanced public trust in the legal system.⁴¹ Similarly, Bangladesh village courts have provided accessible and efficient dispute resolution, particularly in rural areas. These examples highlight the potential of ADR to deliver fair and effective outcomes in Pakistan provided that institutional framework and public awareness are adequately developed.⁴²

6. International Best Practices in ADR

In the realm of Alternate Dispute Resolution (ADR), a various international practices have been developed to enhance the efficiency and accessibility of justice systems. Few are discussed in detail after observing these jurisdictions we can see what actions should be taken and what thinks should be avoided for a better result.

6.1 India

The LOK ADALAT system in India is a notable example of how ADR mechanisms can enhance the delivery of justice. Lok Adalats or "PEOPLE'S COURT" prioritize voluntary settlements through negotiation and mediation, which reduces delays and fosters trust among disputing parties.⁴³ These courts have successfully handled civil disputes, matrimonial issues, and pre-litigation matters, alleviating the burden on conventional judicial system.⁴⁴ One of the key strengths of Lok Adalat is their accessibility to marginalized and rural communities. They provide affordable and swift resolutions, often bypassing complex legal procedures, which makes then a viable solution in countries with overburdened court system.⁴⁵ This accessibility is vital

⁴¹ Khan, S. O. H., & Abbasi, M. S. (2023). Legal Framework of Alternative Dispute Resolution (ADR) Mechanisms in Pakistan: A Comparative Study with Turkey, Malaysia, and Bangladesh. *Law and Policy Review*, 2(2), 37-57.

⁴² Amjad, M. (2016). The use of ADR methods in the context of the barriers obstructing access to non ADR justice in Indian sub-continent (Doctoral dissertation).

⁴³ Khan, S. A. (2006). *Lok Adalat: An effective alternative dispute resolution mechanism* (Chapter [X]). Deep & Deep Publications. (Chapter 2, p. 23) Retrieved from https://www.google.com.pk/books/edition/Lok_Adalat/ChRWJjouEesC?hl=en&gbpv=1&dq=Lok+Adalats+in+India:+A+Study+of+Informal+Justice+Systems&pg=PA23&printsec=frontcover.

⁴⁴ Singh, A., & Chauhan, P. S. (2024). Bridging justice paradigms: Lok Adalat and ADR mechanisms. *International Journal of Criminal, Common and Statutory Law*, 4(2), 146-154. Retrieved from <https://www.criminallawjournal.org/article/103/4-2-20-404.pdf>.
<https://dx.doi.org/10.22271/27899497.2024.v4.i2b.103>.

⁴⁵ Rao, S. (n.d.). *An analysis on the effectiveness of Lok Adalats in India and the measures that can be taken to increase their efficiency*. Retrieved from <https://www.legalserviceindia.com/legal/article-9199-an-analysis-on-the-effectiveness-of-lok-adalats-in-india-and-the-measures-that-can-be-taken-to-increase-their-efficiency.html>.

in fostering confidence in the legal framework, especially for india.⁴⁶ While Lok Adalats, have proven effective, they still face challenges. Public awareness about their benefits and the procedural framework governing these courts require benefits and the procedural framework governing these courts require significant improvement justice system to build trust and provide equitable solutions.⁴⁷ By the success and challenging of Lok Adalats, other jurisdiction can adopt similar principles to strengthen their ADR systems, making justice's delivery more effective and trust building among stakeholders more achievable.⁴⁸

6.2 Bangladesh

Bangladesh had made more significant strides in implementing ADR mechanisms to reduce case backlogs and enhance access to justice. The country's adoption of arbitration and mediation process under the Arbitration Act, 2001 reflects its commitment to providing efficient dispute resolution mechanisms. These methods have proven particularly effective in resolving commercial and financial disputes, fostering trust among domestic and international investors.⁴⁹

The village Court Act of 2006, stands out as a vital component of ADR in Bangladesh. Village Courts operate at the grassroots level, offering inexpensive and time efficient solutions of minor disputes in rural communities.⁵⁰ This approach mirrors, India Lok Adalat system, emphasizing accessibility and community involvement. By resolving disputes within local jurisdiction, village courts enhance trust in the legal system, especially for individual and small businesses.⁵¹

Despite these achievements, challenges remain in expanding the reach and efficiency of ADR mechanism. The lack of public awareness, insufficient training for mediators and limited enforcement of awards are major

⁴⁶ Khan, S. A. (2006). *Lok Adalat: An effective alternative dispute resolution mechanism*. Deep & Deep Publications. Retrieved from

https://www.google.com.pk/books/edition/Lok_Adalat/ChRWJjouEesC?hl=en&gbpv=1&dq=Lok+Adalats+in+India:+A+Study+of+Informal+Justice+Systems&pg=PA23&printsec=frontcover

⁴⁷ Singh, A., & Chauhan, P. S. (2024). *Bridging justice paradigms: Lok Adalat and ADR mechanisms*. *International Journal of Criminal, Common and Statutory Law*, 4(2), 146-154. Retrieved from <https://www.criminallawjournal.org/article/103/4-2-20-404.pdf>
<https://dx.doi.org/10.22271/27899497.2024.v4.i2b.103>

⁴⁸ Khan, S. A. (2006). *Lok Adalat: An effective alternative dispute resolution mechanism*. Deep & Deep Publications. Retrieved from https://www.google.com.pk/books/edition/Lok_Adalat/ChRWJjouEesC?hl=en&gbpv=1&dq=Lok+Adalats+in+India:+A+Study+of+Informal+Justice+Systems&pg=PA23&printsec=frontcover

⁴⁹ Rahman, M. S. (2017). *The effectiveness of ADR in Bangladesh's commercial sector*. *Bangladesh Law Review*, 3(2), 40–55. Retrieved from <https://www.bangladeshlawjournal.org>

⁵⁰ Islam, S. (2020). *Alternative dispute resolution in Bangladesh: Theory and practice* (Chapters 3). Dhaka Law Publications.

⁵¹ Rahman, M. S. (2017). *The effectiveness of ADR in Bangladesh's commercial sector*. *Bangladesh Law Review*, 3(2), P 45. Retrieved from <https://www.bangladeshlawjournal.org>

hurdles, by addressing these issues could further enhance Bangladesh's ADR framework and its role in building investor trust.⁵²

6.3 Singapore

Singapore is globally recognized as a leader in ADR, particularly in the commercial and international arbitration space. The country's success stems from its robust legal framework, including the Arbitration Act (2001). And the international Arbitration Act (IAA, 1994). The establishment Singapore International Arbitration Centre (SIAC) has made a Singapore a hub for resolving complex, cross-border disputes. With over 500 cases filled annually.⁵³ SIAC provided cost-effective, efficient and neutral arbitration services, which have guaranteed the trust of global investors.⁵⁴

Singapore model provides valuable insight for Pakistan, which faces challenges such as trust deficit in the judiciary, in inefficiencies in arbitration and limited adoption of mediation. The success of SIAC highlights the importance of a centralized arbitration body adhering to international best practices.⁵⁵ Establishing such a center in Pakistan, with transparent processes and a focus on investor-friendly policies, could strengthen Pakistan's ADR framework and attract foreign investment.⁵⁶

Additional, the Singapore Convention on Mediation offers a roadmap for Pakistan to develop enforceable framework for mediation, which could address investors' concern regarding the finality and enforceability of ADR outcomes. Pakistan could also benefit from Singapore's focus on professional development in ADR through mediator training programs and public awareness initiatives. By adopting these strategies, Pakistan could reduce case backlogs, build trust among domestic and international investor and modernize its legal system.⁵⁷

7. The Way Forward Institutionalizing ADR in Pakistan

Countries like Pakistan to develop effective ADR frameworks to direct foreign investment ADR must emphasize on impartiality transparency and efficiency in dispute resolution and it is a trusted venue for resolving cross border commercial disputes as well helping investors feel secure in their business dealing Pakistan can enhance reliability and attractiveness of its ADR mechanism addressing investors' concerns related to corruption and inefficiency in the formal judicial system.⁵⁸ The ADR mechanism have been

⁵² Islam, S. (2020). *Alternative dispute resolution in Bangladesh: Theory and practice* (Chapters 4). Dhaka Law Publications.

⁵³ Singapore International Arbitration Centre. (2022). *Annual report: Case statistics and global trends*. Retrieved from <https://www.siac.org.sg>

⁵⁴ Yeo, R. (2018). *The evolution of Singapore as a global arbitration hub: SIAC's impact on international trade*. *Singapore Law Review*, 36(1), 32–54.

⁵⁵ Center, B. A., Utz, C., Hale, W. C. P., Dorr, L. L. P., WongPartnership, L. L. P., & Firm, Z. L. L. (2018). *The Asia-Pacific Arbitration Review 2019*.

⁵⁶ Yip, M. (2019). *The Singapore International Commercial Court: The Future of Litigation*. *Erasmus L. Rev.*, 12, 82.

⁵⁷ Chan, G. (2020). *Singapore's leadership in ADR: Arbitration and mediation practices in Asia*. *Asia-Pacific Journal of International Law*, 25(3), 104–120.

⁵⁸ Singapore international arbitration center. About siac. Retrieved from <https://www.siac.org.sg>.

increasingly adopted in both developed and emerging economies as effective tools for dispute resolution.⁵⁹ Its adaptability to cultural and economic nuances make it particularly valuable in setting like Pakistan, where investors often face trust deficit in judicial system.⁶⁰ To address the trust deficit and restore confidence in Pakistan's institution a comprehensive approach is required. This involve tackling the root causes of corruption, inefficiency and lack of transparency while strengthening the legal institutional framework for dispute resolution key recommendations include.⁶¹

7.1 Streamlining Bureaucratic-Governance Processes

Emphasizes that strong governors and the rule of law are crucial for fostering trust and investment. The establishment of independent anti-corruption bodies coupled with robust whistleblower protection mechanism can deter corrupt practices and build public confidence in governance. Consistency and clarity in policy formulation and implementation are essential for creating a stable and predictable business environment. Transparency should be a cornerstone of all institutional processes, from public procurement to judicial proceedings. ADR provides an opportunity to bypass these inefficiencies, offering reliable alternative to the formal judiciary strengthening EDR framework in this help bridge the trust deficit, enhance governance and attract for investment.⁶² Policy makers should engage stakeholders in the decision making process and ensure that regulations are enforced uniformly across all sectors.

The adoption of alternate dispute resolution ADR mechanisms, such as mediation arbitration and conciliation offers a viable solution to address judicial inefficiencies and rebuild trust. ADR provides faster, cost-effective and culturally adaptable means of resolving disputes, making it particularly suited to Pakistan's context. However, the success of ADR depends on the establishment of a robust legal framework, capacity building for ADR practitioners and widespread awareness campaigns to promote its benefits “*The flexibility and accessibility of ADR make it a powerful alternative to formal litigation in market where trust in judicial processes remains low*”.⁶³ Legislative reforms comprehensive legislative reforms are necessary to modernize Pakistan's ADR framework key priorities includes

- Updating the arbitration act to align with international standards.
- Introducing mandatory ADR classes in commercial contacts.
- Establishing guidelines for mediator and arbitrator's qualification.

Dedicated area centers can serve as hub for dispute resolution. The center should be equipped with skilled professional, state of the art facilities and user friendly processes. Regular monitoring and elevation of India initiative are essentials for ensuring their effectiveness and sustainability. Key performance indicators such as case resolution rates stakeholders satisfaction and cost saving can provide valuable insight for continuous improvement. Launch Nationwide campaigns to educate stakeholders about the benefit of area Integrated

⁵⁹ Menkel-Meadow, C. (Ed.). (2001). *Mediation: Theory, Policy and Practice* (1st ed.). Routledge. <https://doi.org/10.4324/9781315204826>

⁶⁰ Ibid.

⁶¹ Kulick, A. (2019). Investor-State Dispute Settlement: Mechanisms and Reform. *Journal of International Arbitration*, 36(4), 481–505.

⁶² World Bank. (2020). *Governance and the law: a global perspective*. Oxford University Press.

⁶³ Menkel-Meadow, C. (Ed.). (2001). *Mediation: Theory, Policy and Practice* (1st ed.). Routledge. <https://doi.org/10.4324/9781315204826>

ADR into legal education curriculum to build future capacity. Establish dedicated idio center in major cities and regions Remote public private partnership to fund ADR initiatives mandates mediation for specific case type such as families and commercial disputes. Develop mechanism for enforcing ADR outcomes within the formal release system.⁶⁴

8. Conclusion

The trust deficit in Pakistan poses a significant challenge to social cohesion, economic development, and institutional credibility. ADR offers a viable pathway to address these deficits by providing efficient, transparent, and culturally compatible mechanisms for dispute resolution. By drawing lessons from successful implementations in India, Bangladesh, and Singapore, Pakistan can develop a robust ADR framework that restores public confidence and fosters a more stable and investor-friendly environment.

However, the success of ADR in Pakistan depends on a concerted effort to modernize legal frameworks, build capacity, raise awareness, and integrate technology. By prioritizing these measures, Pakistan can harness the transformative potential of ADR to rebuild trust and drive sustainable development. ADR holds significant promise for addressing trust deficits in Pakistan by offering efficient, fair, and culturally attuned mechanisms for dispute resolution. Drawing lessons from successful implementations in comparable jurisdictions, Pakistan can leverage ADR to rebuild confidence in its governance and judicial systems. However, realizing this potential requires concerted efforts to raise awareness, build capacity, and strengthen the legal and institutional frameworks supporting ADR. By prioritizing these measures, Pakistan can foster an environment of trust, enhance investor confidence, and pave the way for sustainable development.

9. References

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⁶⁴ Redfern, A., Hunter, M., Blackaby, N., & Partasides, C. (2015). *Law and Practice of International Commercial Arbitration* (6th ed.). Oxford University Press.

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