

MCQ Question · mcqquestion.com

Alternative Dispute Resolution Mechanisms in India: Four Ways to Skip the Trial

Free · Share

Alternative Dispute Resolution Mechanisms in India: Four Ways to Skip the Trial

India’s courts carry over 5.19 crore pending cases. This article covers the four main ways to settle a dispute without fighting it out through a full trial.

> **Arbitration & Conciliation Act** 1996
> **Lok Adalat statute** Legal Services Authorities Act, 1987
> **Mediation Act** 2023
> **One-day Lok Adalat record** 58.67 lakh cases, July 2025

1 Why ADR Exists, and What It Covers

The Problem

A backlog no number of new judges can fix fast enough

The scale of the backlog

India’s courts carried over **5.19 crore pending cases**, per a Rajya Sabha reply citing the National Judicial Data Grid. District and subordinate courts hold most of that backlog, since they handle the highest volume of everyday disputes.

Why judges alone cannot fix it

India has roughly 14-21 judges per million people. The Law Commission recommended 50. For example, even if the government doubled the number of judges tomorrow, training and infrastructure would take years

to catch up. Alternative Dispute Resolution (ADR) exists because the gap needs faster, cheaper routes right now.

What ADR is

ADR mechanisms settle disputes outside the regular court system. India relies on four main ones: **arbitration**, **conciliation**, **mediation**, and **Lok Adalats**.

2 The Four Mechanisms, with Examples

Arbitration

A private judge, chosen by the parties themselves

How it works

Arbitration is governed by the **Arbitration and Conciliation Act, 1996**. An independent arbitrator hears both sides and gives a binding decision, much like a private judge. For example, two companies in a supply contract can agree upfront that any future dispute goes to a named arbitrator, instead of a court.

> **Quick check 1.** An arbitrator's decision under the 1996 Act is legally binding, similar to a court's judgment. *(True or False?)* See answer ↓

Conciliation

Like mediation, but the conciliator can propose terms

Conciliation also falls under the 1996 Act. It resembles mediation, but **the conciliator can actively propose settlement terms**, not just facilitate discussion. For example, in a wage dispute, a labour

conciliator can suggest a specific settlement figure to both the employer and the workers.

Mediation

A neutral guide, not a decision-maker

Mediation was formalised nationally by the **Mediation Act, 2023**. A neutral mediator helps both sides reach their own voluntary settlement, rather than imposing one. For example, take a family property dispute between two siblings. A mediator can help them work out their own division of the house, instead of a court deciding it for them.

Lok Adalat

A one-day people's court, blending all three other forms

Status and effect

Lok Adalats get statutory status from the **Legal Services Authorities Act, 1987**. Their award counts as a civil court decree. **No appeal lies against it in any court.**

How they blend the other three

Lok Adalats blend all three other ADR forms. Their members act as statutory conciliators, and often follow procedures drawn from the Arbitration and Conciliation Act itself. For example, a bank might bring hundreds of small loan-recovery disputes to a single Lok Adalat sitting. Each case gets a quick, mutually agreed settlement, instead of a separate trial.

> **Quick check 2.** A losing party can appeal a Lok Adalat award in a regular court. *(True or False?)* See answer ↓

3 Arbitration in Practice: Ad Hoc, Institutional, and a Real Case

Mechanism

Two ways an arbitrator gets picked

Ad hoc vs institutional

- **Ad hoc arbitration:** each side names one arbitrator, and those two pick a third, presiding arbitrator between them. If they cannot agree, a court steps in under Section 11 of the Act.
- **Institutional arbitration:** a recognised body, like an arbitration centre, appoints or confirms the arbitrator from its own panel, and also manages timelines, fees, and hearing logistics.

Why the difference matters

India relied mostly on ad hoc arbitration for decades. That is one reason cases like Amazon-Future Group, run through Singapore's institutional system instead, still took years to reach a final award.

The Arbitration Council of India

A 2019 amendment to the 1996 Act created the **Arbitration Council of India (ACI)**, an independent body to promote arbitration and mediation. The ACI grades arbitral institutions on their infrastructure and track record, and accredits individual arbitrators against qualification standards set out in the Act's Eighth Schedule. It also keeps a depository of arbitral awards made in India and abroad.

The Amazon-Future Group Saga

A five-year arbitration, in full

The deal that triggered it

In August 2020, Future Group tried to sell its retail business to Reliance, in a ₹24,713 crore deal. Amazon said this broke an earlier 2019 agreement between them.

Emergency relief, then a fight over enforcement

Amazon rushed to a Singapore arbitrator for emergency relief. In October 2020, that arbitrator ordered the Reliance deal paused. Future Group argued an emergency arbitrator's order had no real teeth in India. The Supreme Court disagreed, ruling in August 2021 that such orders are enforceable, just like a regular court order.

How it ended

The final award came only in June 2025, nearly five years after the dispute began. Amazon had demanded ₹1,436 crore in damages. It got just ₹23.7 crore, a fraction of the claim.

4 A Real Policy Shift, and Lok Adalats at Scale

Policy

Mediation before you can even file a case

The Mediation Act makes pre-litigation mediation mandatory for civil and commercial disputes. Parties must attempt mediation before filing most such cases in court. This reflects a real policy shift. ADR used to be only a court-referred option. Now the state asks disputing parties to try mediation first, before they can even file certain civil suits.

Scale

Nearly 59 lakh cases, in a single day

National Lok Adalats put a real number on the scale ADR can reach. On one such day in July 2025, Lok Adalats across the country disposed of **58.67 lakh cases**. Litigants received over ₹2,878 crore in compensation and relief, all in a single day. No court system built on individual hearings could match that pace. It only works because both sides agree to a settlement, rather than fighting a case out point by point.

5 Current Affairs

7 August 2026

“Mediation should be India’s first recourse”

Chief Justice Surya Kant told an international ADR conference that mediation should be India’s **“first recourse,”** not a last resort. He pointed to the Commercial Courts Act’s pre-litigation mediation requirement, and cited studies showing voluntary compliance with

mediated settlements running as high as 90%. He argued India, backed by the Mediation Act 2023 and growing institutional capacity, could become a genuine global hub for mediation.

Source: ANI

165th Parliamentary Report

A committee flags a visibility problem

On 7 August 2026, a Parliamentary Standing Committee presented its 165th Report on India's ADR ecosystem, adopted 5 August 2026. It found the India International Arbitration Centre has limited visibility and caseload, despite being meant to compete with global institutions like Singapore's SIAC. It recommended fast-tracking the Mediation Council of India, and strengthening NALSA's manpower and budget to better support Lok Adalats nationwide.

Source: PIB

6 Great to Know

Comparison

Lok Adalats vs mediation, and one shared aim

> **Think it through: why does a failed mediation just go back to court, but a Lok Adalat decree can't be appealed?**
>
> Lok Adalats and mediation both avoid a binding, court-imposed outcome. But once both sides agree at a Lok Adalat, it becomes a formal decree, treated exactly like a court's own final judgment. A failed mediation never reaches that formal step. It simply sends the case back to court, with nothing binding created along the way. The difference is not how the two mechanisms start, but what happens the moment an agreement is actually reached.

One shared aim

- Arbitration works best for commercial disputes between parties who want privacy and a fast, expert decision.
- Arbitrators are often chosen for subject expertise a regular judge may lack.
- All four mechanisms share one aim: reducing the load on India's regular courts.
- Millions of pending cases make faster, cheaper resolution routes a practical necessity, not just a procedural nicety.

7 Exam Point of View

Practice MCQs

1. Which Act governs arbitration and conciliation as dispute resolution methods in India?

A. The Arbitration and Conciliation Act, 1996

B. The Legal Services Authorities Act, 1987

C. The Mediation Act, 2023

D. The Code of Civil Procedure, 1908

See answer ↓

Answer Key

1. **A.** Arbitration and conciliation are governed by the Arbitration and Conciliation Act, 1996. ↑ Q1

Quick-check answers

1. **True.** ↑ 1
2. **False.** ↑ 2

Curated by Arsalan Zuberi · mcqquestion.com

Scan to read online

https://mcqquestion.com/articles/alternative-dispute-resolution-mechanisms-in-india-four-ways-to-skip-the-trial/