A smart contract is a self-executing program that automates the actions required in an agreement or contract. Smart contracts do not contain legal language, terms or agreement - only code that executes actions when specified conditions are met.

How does a smart contract work :

Smart contracts work by following simple “if/when…then…” statements that are written into code on a blockchain. A network of computers executes the actions when predetermined conditions have been met and verified. These actions could include releasing funds to the appropriate parties, registering a vehicle, sending notifications, or issuing a ticket. The blockchain is then updated when the transaction is completed. That means the transaction cannot be changed, and only parties who have been granted permission can see the results.

Pros of smart contracts

- [ ] Efficiency
- [ ] Accuracy
- [ ] Immutability

Cons

- [ ] Human factor : dependent on correct coding
- [ ] loopholes in the coding

Simply put : Smart contracts are apps on a blockchain that make each side of a transaction complete its part. For example, a smart contract could initiate a fund transfer with a third party to verify that the transfer took place.