**A Smart Contract** (or cryptocontract) is a computer program that directly and automatically controls the transfer of digital assets between the parties under certain conditions. A smart contract works in the same way as a traditional contract while also automatically enforcing the contract. Smart contracts are programs that execute exactly as they are set up(coded, programmed) by their creators. Just like a traditional contract is enforceable by law, smart contracts are enforceable by code.

Advantages of Smart Contracts

**Recordkeeping**: All contract transactions are stored in chronological order in the blockchain and can be accessed along with the complete audit trail. However, the parties involved can be secured cryptographically for full privacy.

**Autonomy**: There are direct dealings between parties. Smart contracts remove the need for intermediaries and allow for transparent, direct relationships with customers.

**Reduce** **fraud**: Fraudulent activity detection and reduction. Smart contracts are stored in the blockchain. Forcefully modifying the blockchain is very difficult as it’s computation-intensive. Also, a violation of the smart contract can be detected by the nodes in the network and such a violation attempt is marked invalid and not stored in the blockchain.

**Fault**-**tolerance**: Since no single person or entity is in control of the digital assets, one-party domination and situation of one part backing out do not happen as the platform is decentralized and so even if one node detaches itself from the network, the contract remains intact.

**Enhanced** **trust**: Business agreements are automatically executed and enforced. Plus, these agreements are immutable and therefore unbreakable and undeniable.

**Cost**-**efficiency**: The application of smart contracts eliminates the need for intermediaries(brokers, lawyers, notaries, witnesses, etc.) leading to reduced costs. Also eliminates paperwork leading to paper saving and money-saving.