Features

Online banking facilities offered by various financial institutions have many features and capabilities in common, but also have some that are application specific.

The common features fall broadly into several categories:

* A bank customer can perform non-transactional tasks through online banking, including -
  + viewing account balances
  + viewing recent transactions
  + Downloading bank statements, for example in PDF format
  + viewing images of paid cheques
  + ordering cheque books
  + Download periodic account statements
  + Downloading applications for M-banking, E-banking etc.
* Bank customers can transact banking tasks through online banking, including -
  + Funds transfers between the customer's linked accounts
  + Paying third parties, including bill payments (see, e.g., BPAY) and third party fund transfers(see, e.g., FAST)
  + Investment purchase or sale
  + Loan applications and transactions, such as repayments of enrollments
  + Credit card applications
  + Register utility billers and make bill payments
* Financial institution administration
* Management of multiple users having varying levels of authority
* Transaction approval process
* the process of banking has become much faster

Some financial institutions offer unique Internet banking services, for example:

* Personal financial management support, such as importing data into personal accounting software. Some online banking platforms support account aggregation to allow the customers to monitor all of their accounts in one place whether they are with their main bank or with other institutions.

## History

The precursor for the modern home online banking services were the distance banking services over electronic media from the early 1980s. The term online became popular in the late '80s and referred to the use of a terminal, keyboard and TV (or monitor) to access the banking system using a phone line. 'Home banking' can also refer to the use of a numeric keypad to send tones down a phone line with instructions to the bank. Online services started in New York in 1981 when four of the city's major banks (Citibank, Chase Manhattan, Chemical and Manufacturers Hanover) offered home banking services using the videotex system. Because of the commercial failure of videotex these banking services never became popular except in France where the use of videotex (Minitel) was subsidised by the telecom provider and the UK, where the Prestel system was used.

When the clicks-and-bricks euphoria hit in the late 1990s, many banks began to view Web-based banking as a strategic imperative. The attraction of banks to online banking are fairly obvious: diminished transaction costs, easier integration of services, interactive marketing capabilities, and other benefits that boost customer lists and profit margins. Additionally, Web banking services allow institutions to bundle more services into single packages, thereby luring customers and minimizing overhead.

A mergers-and-acquisitions wave swept the financial industries in the mid-and late 1998s, greatly expanding banks' customer bases. Following this, banks looked to the Web as a way of maintaining their customers and building loyalty. A number of different factors are causing bankers to shift more of their business to the virtual realm.

While financial institutions took steps to implement e-banking services in the mid-1990s, many consumers were hesitant to conduct monetary transactions over the web. It took widespread adoption of electronic commerce, based on trailblazing companies such as America Online, Amazon.com and eBay, to make the idea of paying for items online widespread. By 2000, 80 percent of U.S. banks offered e-banking. Customer use grew slowly. At Bank of America, for example, it took 10 years to acquire 2 million e-banking customers. However, a significant cultural change took place after the Y2K scare ended. In 2001, Bank of America became the first bank to top 3 million online banking customers, more than 20 percent of its customer base. In comparison, larger national institutions, such as Citigroup claimed 2.2 million online relationships globally, while J.P. Morgan Chase estimated it had more than 750,000 online banking customers. Wells Fargo had 2.5 million online banking customers, including small businesses. Online customers proved more loyal and profitable than regular customers. In October 2001, Bank of America customers executed a record 3.1 million electronic bill payments, totaling more than $1 billion. In 2009, a report by Gartner Group estimated that 47 percent of U.S. adults and 30 percent in the United Kingdom bank online.

The UK's first home online banking services known as Homelink was set up by Bank of Scotland for customers of the Nottingham Building Society (NBS) in 1983. The system used was based on the UK's Prestel viewlink system and used a computer, such as the BBC Micro, or keyboard (Tandata Td1400) connected to the telephone system and television set. The system allowed on-line viewing of statements, bank transfers and bill payments. In order to make bank transfers and bill payments, a written instruction giving details of the intended recipient had to be sent to the NBS who set the details up on the Homelink system. Typical recipients were gas, electricity and telephone companies and accounts with other banks. Details of payments to be made were input into the NBS system by the account holder via Prestel. A cheque was then sent by NBS to the payee and an advice giving details of the payment was sent to the account holder. BACS was later used to transfer the payment directly.

Stanford Federal Credit Union was the first financial institution to offer online internet banking services to all of its members in October 1994.[[4]](http://en.wikipedia.org/wiki/Online_banking#cite_note-4)

Today, many banks are internet only banks. Unlike their predecessors, these internet only banks do not maintain brick and mortar bank branches. Instead, they typically differentiate themselves by offering better interest rates and more extensive online banking features.

### First online banking services in the United States

According to "Banking and Finance on the Internet," edited by Mary J. Cronin, online banking was first introduced in the early 1980s in New York. Four major banks--Citibank, Chase Manhattan, Chemical and Manufacturers Hanover--offered home banking services. Chemical introduced its Pronto services for individuals and small businesses in 1983. It allowed individual and small-business clients to maintain electronic checkbook registers, see account balances, and transfer funds between checking and savings accounts. Pronto failed to attract enough customers to break even and was abandoned in 1989. Other banks had a similar experience.

### Online banking in the U.K.

Almost simultaneously with the United States, online banking arrived in the United Kingdom. It was the Nottingham Building Society that in 1983 introduced Britain's first electronic home banking service through a joint venture with Prestel, a computerized information service owned by British Telecom.

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### Banks and the World Wide Web

In the 1990s, banks realized that the rising popularity of the World Wide Web gave them an added opportunity to advertise their services. Initially, they used the Web as another brochure, without interaction with the customer. Early sites featured pictures of the bank's officers or buildings, and provided customers with maps of branches and ATM locations, phone numbers to call for further information and simple listings of products.

### Interactive banking on the Web

Wells Fargo was the first U.S. bank to add account services to its website, in 1995. Other banks quickly followed suit. That same year Presidential became the first bank in the United States to open bank accounts over the Internet. According to research by Online Banking Report, by the end of 1999, less than 0.4% of households in the U.S. were using online banking. At the beginning of 2004, some 33 million U.S. households (31% of the market) were using one form or another of online banking. Five years later, 47% of Americans were banking online, according to a survey by Gartner Group.

**Advantages**

* It's generally secure. But make sure that the website you're using has a valid security certificate. This let's you know that the site is protected from cyber-thieves looking to steal your personal and financial information.
* You have twenty-four-hour access. When your neighborhood *bank* closes, you can still access your account and make transactions online. It's a very convenient alternative for those that can't get to the bank during normal hours because of their work schedule, health or any other reason.
* You can access your account from virtually anywhere. If you're on a business trip or vacationing away from home, you can still keep a watchful on your money and financial transactions - regardless of your location.
* Conducting business online is generally faster than going to the bank. Long teller lines can be time-consuming, especially on a Pay Day. But online, there are no lines to contend with. You can access your account instantly and at your leisure.
* Many features and services are typically available online. For example, with just a few clicks you can apply for *loans*, check the progress of your *investments*, review *interest rates* and gather other important information that may be spread out over several different brochures in the local bank.

**Disadvantages**

* Yes, online banking is generally secure, but it certainly isn't *always* secure. *Identity theft* is running rampant, and banks are by no means immune. And once your information is compromised, it can take months or even years to correct the damage, not to mention possibly costing you thousands of dollars, as well.
* Some online banks are more stable than others. Not all online setups are an extension of a brick-and-mortar bank. Some operate completely in cyberspace, without the benefit of an branch that you can actually visit if need be. With no way to physically check out the operation, you must be sure to thoroughly do your homework about the bank's background before giving them any of your money.
* Before using a banking site that you aren't familiar with, check to make sure that their deposits are **FDIC** insured. If not, you could possibly lose all of your deposits if the bank goes under, or its major shareholders decide to take an extended vacation in Switzerland.
* Customer service can be below the quality that you're used to. Some people simply take comfort in being able to talk to another human being face-to-face if they experience a problem. Although most major banks employ a dedicated customer service department specifically for online users, going through the dreaded telephone menu can still be quite irritating to many. Again, some are considerably better (or worse) than others.
* Not all online transactions are immediate. Online banking is subject to the same business-day parameters as traditional banking. Therefore, printing out and keeping receipts is still very important, even when banking online.