

# Mutual Funds Slash Exit Loads, Boosting Investor Flexibility and Rivalry

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Mutual fund companies are significantly reducing exit loads, shortening the holding period from one year to 30-90 days or eliminating them. This move aims to boost competitiveness against passive funds, provide investors with greater liquidity, and simplify fees amid intense market rivalry.

## Shifting Competitive Battlefield

The competitive pressure in India's mutual fund industry has intensified beyond traditional metrics like performance and costs. Fund houses are now actively rationalizing exit loads applicable on redemptions to capture market share and investor attention.

ICICI Prudential Mutual Fund, the nation's second-largest fund house, led the recent wave by reducing the exit load period from one year to just 30 days for five active equity schemes, effective April 6. WhiteOak Capital Mutual Fund followed suit, announcing the complete removal of exit loads across all its equity and hybrid schemes.

## Strategic Adjustments by Industry Giants

Major players like Tata Mutual Fund and SBI Mutual Fund are also implementing similar reductions, with plans announced for August-September 2025. Tata MF is introducing a uniform 0.5% exit load for redemptions within 30 days. SBI MF is adopting a tiered approach, charging 0.25% for redemptions within 30 days and a minimal 0.1% for those within 90 days. This move contrasts with traditional exit loads, which often hovered around 1% on redemptions within one year.

## Driving Factors: Competition and Discipline

Experts attribute these changes to a dual force: heightened competition and increasing investor discipline. Piyush Gupta, director at Crisil Intelligence, noted that exit loads are becoming less central as investors demonstrate greater holding discipline and align with long-term investing principles. Simultaneously, intensified competition and ongoing cost rationalization are prompting fund houses to simplify fee structures, leading to these reductions or eliminations.

## Competing with Passive Funds

The lower exit loads also equip active schemes to compete more effectively with passive funds, which typically feature no exit loads. Vishal Dhawan, founder and CEO of Plan Ahead Wealth Advisors, highlighted the need for active funds to offer better liquidity to counter the appeal of passive investments. This flexibility allows investors to exit early without incurring significant charges, making active funds more palatable.

## Divergent Philosophies on Exit Loads

While many are reducing exit loads, some fund houses maintain higher charges to enforce investment discipline. Neil Parikh, CEO of Parag Parikh Flexicap Fund, explained that higher exit loads serve as a behavioral tool, preventing frequent buying and selling that increases costs for long-term investors. His fund's exit load remains on the higher end for this reason.

However, fund houses opting for nil or lower exit loads argue that short-term capital gains tax, applicable on redemptions within a year, sufficiently deters speculative investing. Aashish Somaiyaa, CEO of WhiteOak Capital MF, stated that with tax laws acting as a deterrent, additional exit loads lose significant relevance and only add to the cost of investing.