

# The Smart Investor

## Mutual funds dial down exit loads amid rising competition

However, industry officials are divided on the benefits of easing exit load structures

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The competitive intensity in the mutual fund (MF) industry is increasingly moving beyond scheme performance, cost structures, and distribution. In recent months, several fund houses have rationalised exit loads on redemptions, signalling a shift in how they attract and retain investors.

ICICI Prudential MF, in April, reduced the exit load period from one year to one month for five of its active equity schemes. WhiteOak Capital MF has also recently removed exit loads across all its equity and hybrid schemes. Tata MF and SBI MF announced similar cuts for most of their equity and hybrid schemes in August-September 2025. Several other fund houses have rationalised the exit loads for specific schemes, especially arbitrage funds, in recent months.

Exit loads are charges levied when investors redeem or partially withdraw from an MF scheme before a specified holding period. They apply to the redemption amount and are an important consideration for investors when choosing schemes.

According to experts, the changes are being driven not only by rising competition but also by improving investor behaviour.

“Exit loads are becoming less central as investors show greater holding discipline and align more with long-term investing. At the same time, rising competition and ongoing cost rationalisation have prompted fund houses to simplify fee structures,



leading to a reduction or removal of exit loads,” said Piyush Gupta, director, Crisil Intelligence.

Lower exit loads, they say, will also help active schemes compete more effectively with passive funds, which typically have no exit charges.

“One reason is creating more flexibility of liquidity for investors if they choose to exit early, especially as a lot of investors look at passive funds as well as active funds and passive funds tend to have lower exit loads and periods, making active funds less competitive,” said Vishal Dhawan, founder and chief executive officer (CEO), Plan Ahead Wealth Advisors.

Traditionally, exit loads have been around 1 per cent for redemptions within one year.

Several fund houses — including Union Mutual Fund, ITI Mutual

Fund, PGIM India Mutual Fund, Navi Mutual Fund, Quant Mutual Fund, and JioBlackRock Asset Management — have, however, maintained minimal or no exit loads across most of their equity and hybrid schemes since inception or for several years.

As a result of the recent changes, there is now a wide dispersion in exit load structures across fund houses. In flexi-cap funds, for instance, exit loads range from nil to as high as 2 per cent for redemptions within a year. The exit load of the Parag Parikh Flexi Cap Fund remains on the higher end. The fund house’s CEO Neil Parikh said the higher exit loads will continue to be maintained to ensure investing discipline.

“It is an inbuilt behavioural tool for maintaining a disciplined investment mindset. When we started, we did not

have any exit loads and noticed frequent buying and selling in the scheme, which increased costs (in terms of churning/ brokerage etc) for genuine long-term investors. After we introduced exit loads, there was a positive change in behaviour,” he said.

According to fund houses that maintain low or zero exit loads, tax structures themselves act as an adequate deterrent to short-term investing.

“Given the changes to short term and long-term capital gains taxes over the years which act as sufficient deterrent against churn, we see no reason to add further to the cost of investing by imposing exit loads; as such there remains no significant relevance of exit loads now,” said Aashish Somaiyaa, CEO of WhiteOak Capital MF.

### Wide variance

Exit load range of flexicap funds shows growing differences in approach of fund houses

Lowest	No of days*	Exit load (%)
JioBlackrock   Navi   NJ	Nil	Nil
SBI	30	0.1
Tata	30	0.5
ITI   PGIM India	90	0.5
Quant   Union	15	1.0
Capitalmind   JM   ICICI Prudential   The Wealth Company	30	1.0
Highest		
Parag Parikh	365	2.0

For the rest of the schemes, it ranges from 1% for 90 days to 1% for 365 days; \*Number of days of exit load applicability  
Source: Value Research