

THREE DECADES · THREE GOVERNMENTS · ONE FISCAL STORY

Tamil Nadu Finances

A Comparative Analysis of Three White Papers

AIADMK 2001

Period: 1991–2001

DMK 2021

Period: 2006–2021

TVK 2026

Period: 2021–2026

CONTEXT: Tamil Nadu's White Paper Tradition

AIADMK · 2001

First TN White Paper

Reviewed 1991–2001

FM: Jayalalithaa

- Audited 10 years of DMK rule
- Flagged unsustainable debt growth
- Exposed revenue shortfalls & poor PSU performance
- Called for expenditure rationalisation

DMK · 2021

Post-COVID Reset

Reviewed 2006–2021

FM: PTR Palanivel Thiagarajan

- Documented AIADMK fiscal deterioration 2011–21
- Flagged revenue deficit ballooning to 3.16% of GSDP in COVID year
- Power sector losses & central devolution squeeze
- Committed to fiscal consolidation

TVK · 2026

Alarm Bells

Reviewed 2021–2026

FM: N. Marie Wilson

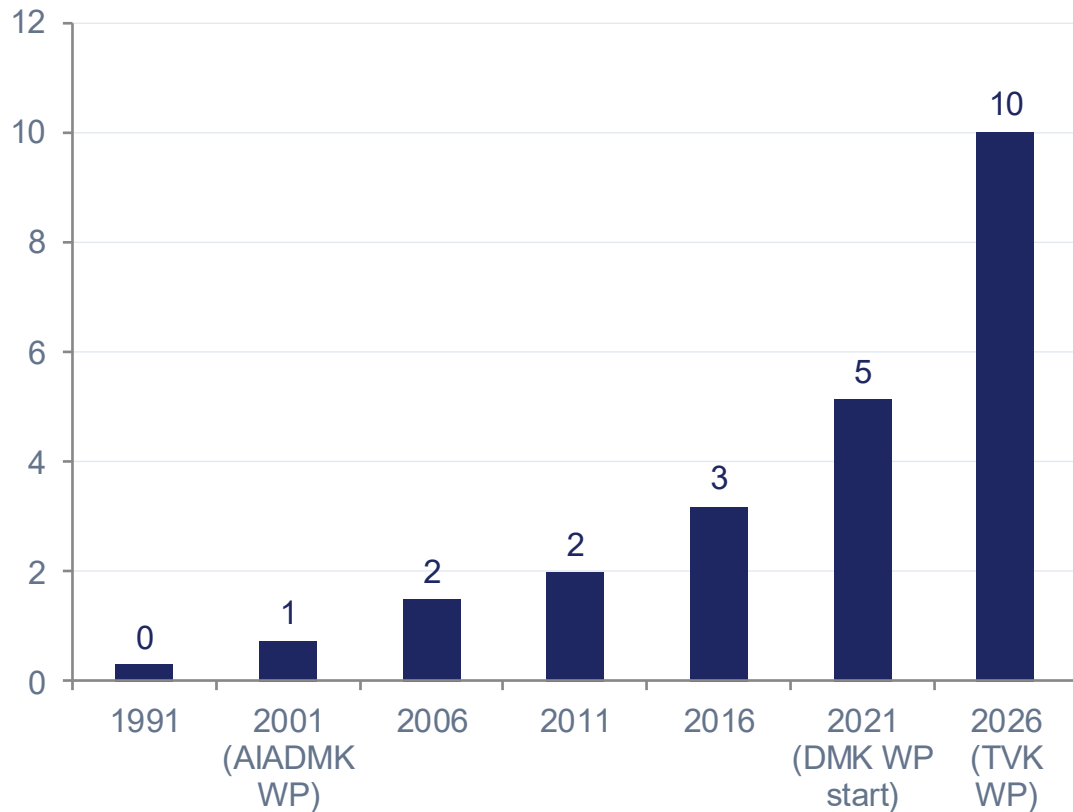
- Debt doubled in 5 years to ₹10 lakh cr
- SOTR-to-GSDP at historic low of 5.45%
- Revenue deficit hit record ₹78,324 cr
- Committed expenditure ate 64.4% of revenue

KEY FISCAL METRICS — SIDE BY SIDE

Figures are start-of-period vs end-of-period as reported in each White Paper

Metric	AIADMK 2001 (1991–2001)	DMK 2021 (2006–2021)	TVK 2026 (2021–2026)
Revenue Deficit (% GSDP)	~0.3% → ~1.5% ↑ +1.2 pp	0.18% → 3.16% ↑ +2.98 pp	1.95% → 2.22% ↑ +0.27 pp (structural)
Fiscal Deficit (% GSDP)	~3% → ~4% range ↑ Breached norms	3.2% → 4.91% (COVID) ↑ Exceeded target	3.56% → 3.77% ↑ Above 3% every year
Total Direct Debt	~₹30,000 cr → ~₹75,000 cr ↑ +~150%	~₹1.5 lakh cr → ~₹5.1 lakh cr ↑ +240%	₹5.13 lakh cr → ₹10 lakh cr ↑ +95% in 5 yrs
Debt-to-GSDP Ratio	~19% → ~24% ↑ +5 pp	~22% → ~27% ↑ +5 pp (2011–21)	~25% → 28.3% ↑ Peers improved
SOTR-to-GSDP	~7.5% → ~8.0% → Stable	8.94% peak (2006–07) then decline	5.93% → 5.45% ↓ Historic low
Per Capita Debt Burden	~₹5,000 → ~₹12,000 ↑ +140%	~₹22,000 → ~₹67,000 ↑ +204%	₹67,087 → ₹1,28,934 ↑ +92% in 5 yrs
Interest/SOTR Ratio	~20–22% Manageable	Rising 2011–21 Power sector drag	33.83% → 34.83% ↑ 1-in-3 rupees to debt
Capital Expenditure/GSDP ↑ Worsened / Rising ↓ Improved / Falling → Neutral	~3%+ moderate Infra push	Declining post-2014 Development squeeze	1.44% ↓ Crowded out by committed exp.

DEBT TRAJECTORY — Three Decades of Borrowing



Approximate figures based on White Paper data; 2001 WP data in nominal terms of that era.

AIADMK 2001 · 1991–2001

+₹45,000 Cr

+150%

Debt tripled from ~₹30k Cr to ~₹75k Cr. First alarm raised on unsustainable borrowing.

DMK 2021 · 2006–2021

+₹3.6 L Cr

+240%

Debt accelerated from ₹1.5L Cr to ₹5.1L Cr. COVID year saw 4.91% fiscal deficit.

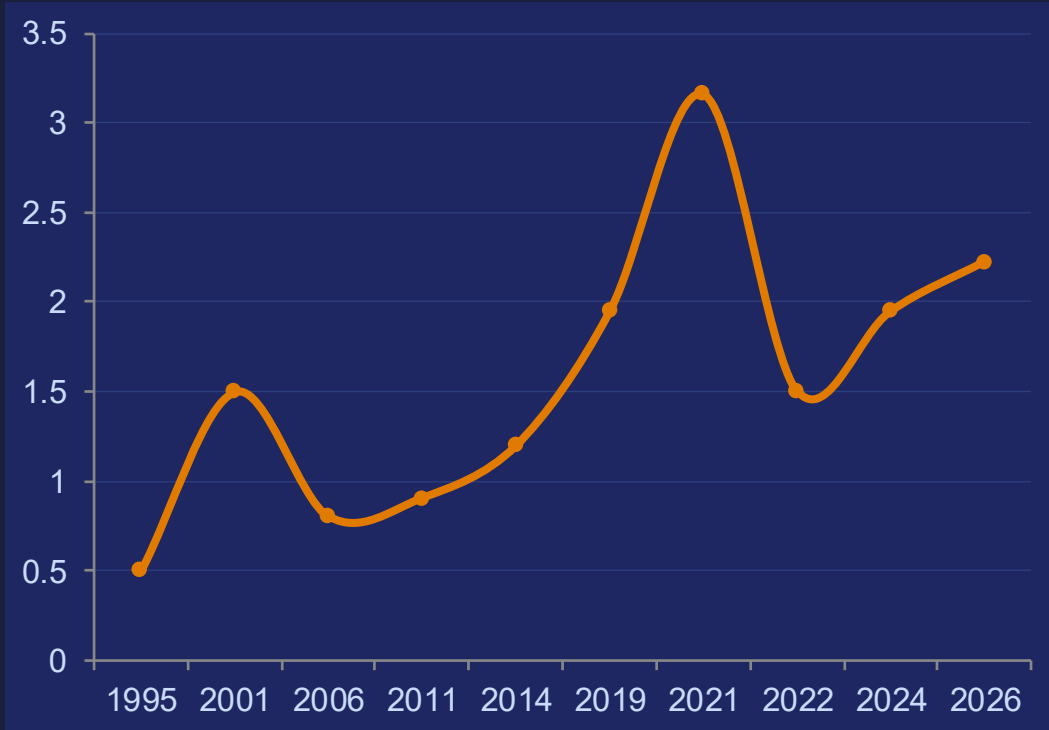
TVK 2026 · 2021–2026

+₹4.87 L Cr

+95%

More borrowed in 5 years than in TN's first 6 decades.
Debt per capita: ₹1.29 lakh.

REVENUE DEFICIT — A Structural Crisis Deepening Over Decades



← AIADMK WP →

← DMK WP →

← TVK →

AIADMK 2001

~₹8,000 Cr

Revenue deficit at end of review period

~1.5% of GSDP — first warning signal

DMK 2021

₹61,320 Cr

Revenue deficit inherited from AIADMK

3.16% of GSDP in COVID year — inherited crisis thesis

TVK 2026

₹78,324 Cr

Revenue deficit — record high

2.22% of GSDP — now structural, not cyclical

Revenue deficit = Government borrowing to fund day-to-day operations. A structural deficit signals an inability to self-fund core governance.

CRITICAL RISKS — What Each Government Flagged (And What Grew Worse)

Risk Area	AIADMK 2001	DMK 2021	TVK 2026	Trend
Unsustainable Debt Growth	Flagged — debt 'growing faster than revenue'	Confirmed — 2011–21 AIADMK era saw 3x debt jump	CRITICAL — Debt doubled again in just 5 years	↑ ↑
Power Sector (TNEB/TANGEDCO) Losses	Mentioned — PSU losses dragging state finances	Flagged — power sector major liability	₹2.47L Cr debt + ₹1.82L Cr cumulative losses	↑ ↑ ↑
Committed Expenditure Crowding Out Capex	Raised — salaries + pensions eating budget	Worsening — fiscal space shrinking	64.4% of revenue receipts locked in committed exp. Capex only 1.44% of GSDP	↑ ↑ ↑
Central Devolution Squeeze	Not prominently flagged	CRITICAL flag — TN share fell from 6.64% to 4.097% of divisible pool	Confirmed continuing — structural federal inequity	↑ ↑
Revenue Tax Effort Weakness	Some mention of tax reforms needed	Flagged — post-peak decline from 8.94% SOTR/GSDP	HISTORIC LOW — 5.45% SOTR/GSDP. Blamed on corruption & admin failure	↑ ↑ ↑
Transport Corp Losses	Flagged PSU losses broadly	Accumulating losses flagged	₹72,667 Cr losses. Earns ₹25.97/km, spends ₹78.81/km	↑ ↑
Off-Budget / Contingent Liabilities	Not systematically tracked	Emerging concern — guaranteed borrowings	Guarantees tripled to ₹1.79L Cr. Total inc. PSUs: ₹13.18L Cr	↑ ↑ ↑

THE BURDEN ON EVERY CITIZEN — Per Capita Debt Across Eras



~₹5,000

per person
(AIADMK WP start)



~₹12,000

per person
(AIADMK WP end)

+140%

vs prev. era



₹67,087

per person
(DMK WP start / TVK inherited)

+459%

vs prev. era



₹1,28,934

per person
(TVK WP end)

+92%

vs prev. era

PEER STATE COMPARISON (2025-26) — TVK White Paper

Tamil Nadu

₹1,28,934

Highest among peers

Karnataka

₹1,11,375

Maharashtra

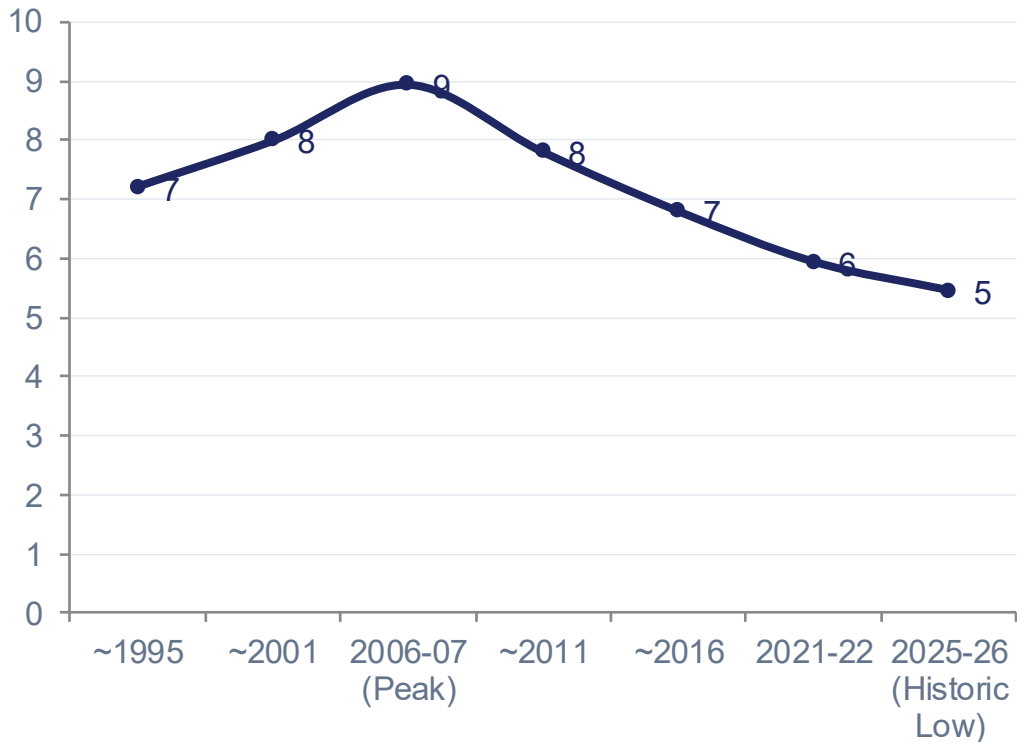
₹77,569

Gujarat

₹70,798

Most consolidated

TAX EFFORT COLLAPSE — State's Own Tax Revenue (SOTR) vs GSDP



Peak SOTR (2006-07)

8.94% of GSDP

Highest in TN history — at the start of DMK 2006-11 tenure. All subsequent WPs reflect decline from this benchmark.

SOTR 2021-22

5.93% of GSDP

Level DMK handed over to TVK. Already well below historical peak. Commercial taxes fell from 4.53% to 3.89% of GSDP.

SOTR 2025-26 (TVK WP)

5.45% Historic Low

Steepest decline among peer states (MH, GJ, KA all improved). Blamed on corruption, tax leakages, admin failure — not structural.

Interest on SOTR

34.83% of SOTR goes to debt

₹1 in every ₹3 earned in tax goes directly to servicing past borrowing — leaving only ₹2 for governance.

KEY TAKEAWAYS — The Recurring Fiscal Cycle

01 Every New Govt Inherits Worse Finances

Each of the three White Papers shows the incoming government inheriting a higher debt stock, wider revenue deficit, and greater committed expenditure than its predecessor. The trajectory is consistently downward.

02 Debt Doubling Time Is Accelerating

It took decades to reach ₹1.5L Cr (2006). It took 10 more years to reach ₹5.1L Cr (2021). Then just 5 years to double again to ₹10L Cr (2026). CAGR of 14.3% vs nominal GSDP growth.

03 The Tax Effort Is in Secular Decline

From a peak SOTR/GSDP of 8.94% in 2006-07, the ratio has fallen to a historic low of 5.45% in 2025-26 — the worst among comparable states. This is structural, not cyclical.

04 PSU Debt Is the Hidden Iceberg

Direct debt is the visible portion. Add TNEB (₹2.47L Cr debt), transport corps, CMWSSB, and other guarantees, and the 'true' liability triples to ₹13.18L Cr — a pattern present in all three WPs.

05 Interest Payments Are Crowding Out Everything

In 2025-26, interest payments EXCEED capital expenditure. 34.83% of tax revenue pays for past debt. Salaries, pensions, and interest consume 64.4% of revenue — leaving almost nothing for development.

06 Federal Devolution Adds Structural Disadvantage

TN's share in the central divisible pool has fallen from 6.64% (10th FC) to 4.097% (latest FC). This is an external constraint that all three WPs flag but no government has been able to reverse.

The fiscal numbers are not partisan — they are persistent.

Every White Paper since 2001 has used the same language: inherited debt, structural deficit, PSU losses, tax leakages. The vocabulary does not change. The numbers only get larger.

The question Tamil Nadu faces is not which government created the problem — all three White Papers show continuity of deterioration — but whether any government will finally break the cycle.

AIADMK 2001

₹75,000 Cr

Direct debt

DMK 2021

₹5.1 Lakh Cr

Direct debt

TVK 2026

₹10 Lakh Cr
(Direct)

Direct debt

Including PSUs

₹13.18 Lakh Cr

Direct debt