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RESILIENCE OF INDONESIAN STOCK MARKET TO FED POLICY (Bibliometric Review)

Muhammad Rijal Alim Rahmat[1], Rahmat Burhamzah[2]

[1,2] Management Study Program, Faculty of Economics and Business, Universitas Negeri Makassar
E-mail: [1] muhammadrijalalim@unm.ac.id, [2] rahmat.burhamzah@unm.ac.id

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Abstract

This study conducts a bibliometric analysis of literature (2015-2025) on Indonesian stock market resilience to Federal Reserve monetary policy shocks. Data were collected from Google Scholar using Publish or Perish 8 with relevant keywords. A total of 82 publications with 476 citations (h-index = 9) were identified. VOSviewer was used for bibliometric analysis to map keyword co-occurrence in titles and abstracts. Network visualization revealed three dominant clusters: (1) Federal Reserve monetary policy and capital flow spillovers, (2) market volatility and investor behavior, and (3) financial resilience and domestic policy responses. The overlay timeline indicated a shift from spillover and volatility issues in mid-decade to resilience topics in recent years. The literature suggests that while the Indonesian stock market remains sensitive to Fed rate changes, it has shown growing resilience due to proactive domestic policy interventions

Keywords: *Bibliometric Analysis, Federal Reserve, Indonesian Stock Market, Monetary Policy, Resilience*

1. INTRODUCTION

Global financial connectivity causes United States monetary policy, particularly by the Federal Reserve (The Fed), to have cross-border impacts. When The Fed raises its benchmark interest rate, global investors tend to withdraw funds from emerging markets to shift to US dollar-denominated assets, thereby pressuring the rupiah exchange rate and reducing capital flows to Indonesia. A real example is the 2013 taper tantrum incident, when discourse about The Fed's stimulus tightening triggered turmoil in the Fragile Five countries (including Indonesia) marked by sharp currency weakening and plummeting stock and bond markets. Indonesia responded to this shock with a series of macro policy measures, successfully restoring stability in just about seven months. After this incident, various policies were pursued to strengthen economic fundamentals and financial market resilience, such as macroprudential management and foreign exchange reserve accumulation.

Entering the 2015-2025 period, US monetary policy dynamics continued to be an important external factor for the Indonesian capital market. The Fed gradually raised interest rates in 2015-2018, then drastically cut them during the 2020 COVID-19 pandemic, and aggressively raised them again in 2022. Indonesia's response to each of these cycles has attracted academic attention: is the Indonesian stock market becoming more resilient to these external shocks, or is it still vulnerable to global volatility? A number of empirical studies have explored this topic from the perspective of return volatility, cross-market spillovers, investor behavior, to the effectiveness of stabilization policies.

Although the number of studies on The Fed's policy impact on Indonesian financial markets continues to increase, not many studies have summarized the big picture of these findings. A comprehensive review is needed to map the research themes that have been undertaken and identify knowledge gaps related to the resilience of the Indonesian stock market to US monetary policy. Therefore, this study uses a bibliometric analysis approach to collect and analyze literature in the last decade discussing the relationship between The Fed's policy and the Indonesian capital market. The research questions answered include: (1) publication trends on this topic during 2015-2025, (2) what theme clusters stand out in the literature, (3) how keyword linkages reflect research focus over time, and (4) the main contributions of previous studies in understanding Indonesian stock market resilience and implications for future research agendas.

2. RESEARCH METHOD

This study uses bibliometric analysis methods with the help of Publish or Perish (PoP) and VOSviewer software. The methodological stages are as follows:

Data Collection: Publication data were obtained from Google Scholar through PoP version 8. Search keywords were formulated as combinations of English terms covering the context of the Indonesian capital market and US monetary policy, as well as related volatility/resilience topics. The search string used was: "Indonesia stock market" OR "Indonesian capital market" OR "financial market Indonesia" AND "Federal Reserve" OR "US monetary policy" OR "Fed Funds Rate" AND "spillover" OR "shock" OR "volatility" OR "resilience" with publication year filters from 2015 to 2025. The search was conducted on November 29, 2025. The initial results were publication metadata (title, author, year, source, citations, etc.) which were then exported. PoP recorded 82 documents meeting the criteria with a total of 476 citations throughout 2015-2025 (average ~5.8 citations per work). The h-index of this publication collection is 9, indicating that at least 9 articles have received a minimum of 9 citations.

Screening (PRISMA): The literature selection process followed PRISMA principles. At the identification stage, 82 results from Google Scholar already met the year and keyword relevance criteria. After that, manual screening of titles and abstracts was conducted to ensure topic suitability. Several publications that were less relevant were eliminated. However, because the search string was already specific, almost all results were confirmed relevant. No significant publication duplication was detected. Thus, 82 final publications were included in the analysis. Document types included journal articles (majority), conference proceedings, theses, and working papers indexed by Google Scholar.

Bibliometric Analysis (VOSviewer): To map research themes, VOSviewer v1.6.19 was used with text mining techniques on publication title and abstract fields. Bibliographic data from PoP was exported in RIS format, then processed in VOSviewer for term co-occurrence analysis. Important settings: (1) Analysis type is co-occurrence based on text (title & abstract), (2) Frequency calculation method uses binary counting, (3) A thesaurus was applied to unify term variations referring to the same concept, (4) Threshold: Only terms appearing at least 4 times were included in the visualization, (5) Three types of visualization were produced: network visualization, overlay visualization, and density visualization.

Limitations: Several methodological limitations need to be noted. First, data is sourced from Google Scholar which covers broad literature but with varying quality. Second, co-occurrence analysis depends on keywords appearing in titles/abstracts. Third, the thesaurus and threshold choices affect the results. However, these decisions were made to keep the map focused on the most significant terms.

3. RESULTS AND DISCUSSION

3.1 General Publication Description

From 82 publications analyzed, there is a tendency for increasing studies per year over time. In the second half of the decade (around 2020 onwards), a surge in publications is visible, in line with high attention to market turmoil in the pandemic era and the latest Fed interest rate hike trends. Conversely, in the early years (2015-2016), the number of studies was relatively small, possibly because the topic of The Fed spillover to Indonesia was just emerging post-taper tantrum experience and US policy normalization.

In terms of work types, the majority (about 70%) are scientific journal articles, including several in reputable international journals (Taylor & Francis, SAGE, MDPI) and accredited national journals. The rest are conference proceedings, theses/dissertations, and working papers. This shows that the topic of Indonesian market resilience to The Fed's policy has attracted broad interest across academic forums. The language distribution is quite balanced: a number of studies are written in Indonesian (published in national journals), while others are in English in international or regional journals.

3.2 Keyword Network Map

VOSviewer network visualization results identified three main keyword clusters in the literature:

Cluster 1: "US Monetary Policy and Global Spillover" (marked in red). This cluster centers on terms related to the Federal Reserve and its monetary policy. Included are: Federal Reserve, monetary policy, interest rate, Fed Funds Rate, capital flow, spillover, global. These terms often appear together when discussing how changes in The Fed's interest rates or policy communication trigger impacts in other countries. The strong connection between "Federal Reserve" and "capital flows" shows that many studies highlight foreign portfolio inflows and outflows from Indonesia due to The Fed's policy. Studies such as Wardani et al. (2025) fall into this cluster.

Cluster 2: "Market Volatility and Risk" (green). The second cluster groups terms around stock markets and their volatility. Dominant terms include: volatility, stock market, return, exchange rate, risk, shock, uncertainty, investor behavior, herding. The terms "volatility" and "stock market" are closely related, indicating research focus on Indonesian stock price turmoil, especially the Composite Stock Price Index (IHSG), in responding to external and internal shocks. Studies such as Wicaksono & Falianty (2022) are examples linking monetary policy changes with herding behavior.

Cluster 3: "Financial Resilience and Policy Response" (blue). The third cluster contains terms related to resilience and stability. Prominent terms include: financial resilience, stability, policy response, Bank Indonesia, macroeconomic, regulation, crisis management, reform. The term "financial resilience" is closely connected with "policy" and "Bank Indonesia", suggesting much discussion about how BI and government policies support financial system resilience. Publications in this cluster include Triggs et al. (2019) which evaluated crisis management frameworks.

3.3 Time Trends and Topic Development

VOSviewer overlay visualization illustrates the average year of appearance of each term, providing an indication of research timeline trends. From the overlay results, several patterns of topic development in the 2015-2025 decade can be summarized:

Early terms (2015-2018, bluish): Topics that emerged earlier tended to be related to volatility and spillover. Words such as "shock" were frequently mentioned in the years after 2013 to around 2017 when research focus on external shock impacts was first explored. Terms such as "risk" and "volatility" also appeared since mid-decade, along with early studies measuring Indonesian stock market volatility.

Mid terms (2019-2021, greenish): Entering the late 2010s and early 2020s, the focus shifted to resilience and stability. The term "resilience" began to be frequently used around 2019. "Reform" and "crisis management" also emerged around 2019-2020, related to post-policy evaluation and entering the pandemic period. In 2020-2021, the COVID-19 pandemic topic itself appeared in several publications as a new context.

Recent terms (2022-2025, yellowish): At the end of the decade, recent research highlights several things: The Fed's interest rate hikes post-pandemic, with "Fed Funds Rate" and "monetary tightening" re-emerging. In addition, the term "financial resilience" is bright yellow, indicating that the concept of financial resilience has truly become a hot topic in recent publications (2024-2025). Topics such as cryptocurrency and ESG investment are also starting to be mentioned in 2023-2024 literature.

3.4 Density Map

Density visualization provides emphasis on term appearance frequency and connectivity. Areas with bright yellow color indicate clusters of terms that most frequently appear and are closely related in the corpus. From this literature density map, it can be concluded:

Core Discussion: The brightest point on the map is around the terms "Federal Reserve", "monetary policy", "volatility", and "Indonesian capital market". This confirms that the core discussion of the literature is the relationship between US monetary policy and the Indonesian capital market, especially in the context of volatility. Supporting factors such as "interest rate", "exchange rate", "spillover", "shock" also appear quite densely. Resilience and policy terms show medium density, indicating that although the resilience concept is promoted in several key studies, not all publications explicitly use this word.

3.5 Thematic Discussion

The bibliometric results above are in line with the qualitative literature review presented. The three thematic clusters that emerged (monetary spillover, market volatility, and resilience/response) reflect three pillars of issues studied by researchers. Specific findings from previous studies can be mapped into these clusters and complement each other in describing the big picture.

In the monetary spillover cluster, it is clear that the literature agrees on the significant influence of The Fed's policy on Indonesian financial markets. Whether through interest rate parity mechanisms, capital outflows, or portfolio rebalancing, FFR increases tend to provide negative pressure on domestic markets. This is in line with theory and supported by empirical evidence. However, the magnitude of the impact varies across periods, depending on global context and domestic buffers. For example, the impact in 2013 was very large (Fragile Five) while in 2018 it was more controlled, indicating the role of resilience factors.

The volatility and risk cluster emphasizes that market responses to shocks are non-linear, but are reinforced by micro factors such as investor behavior. Herding behavior amplifies volatility when investors overreact to Fed news. The literature also discusses that volatility is not solely due to external factors; domestic conditions play a role in determining how sensitive the market is to external shocks. In other words, actual volatility is the result of interaction between external shocks and internal vulnerabilities.

The resilience cluster provides an optimistic narrative that Indonesia learns from crises and strengthens resilience. A number of institutional reforms post-2013 and 2008 were strengthened, such as BI-OJK-Government coordination through the KSSK Forum. Economic fundamentals were improved so that when The Fed tightened again in 2022, the impact was relatively manageable compared to previous eras. However, this cluster also raises awareness of room for improvement: for example, Triggs et al. (2019) revealed weaknesses in crisis mechanisms that could erode long-term resilience if not addressed.

4. CONCLUSION

Bibliometric analysis of 2015-2025 literature shows that Indonesian stock market resilience to Federal Reserve policy is a multidimensional topic studied from monetary spillover, market volatility, to resilience strategy aspects. Empirical evidence in the literature consistently states that US monetary policy has a real impact on the Indonesian capital market, mainly through foreign capital withdrawal mechanisms and sentiment changes that trigger short-term volatility. However, the literature also notes increasing market resilience over time. Indonesia learned from previous crisis experiences by strengthening economic fundamentals and policy coordination, so that the impact of recent external shocks tends to be more manageable.

On the other hand, challenges remain. Indonesian stock market volatility can still increase significantly triggered by global sentiment, indicating vulnerabilities that need to be anticipated. Investor behavior that tends to herd when facing Fed information amplifies price fluctuations, indicating the need for literacy and investment discipline to dampen overreactions. In addition, weaknesses in crisis management frameworks must be immediately addressed so that financial shocks do not develop into systemic crises.

Policy Implications: For authorities in Indonesia, these findings emphasize the importance of maintaining macroeconomic policy discipline. Macroeconomic stability and monetary readiness are the first fortress against Fed spillovers. Coordination in KSSK needs to ensure early warning and rapid response when there are signs of global pressure. Authorities also need to continue structural reforms supporting the long-term investment climate, so that strong fundamentals can attract permanent capital flows (FDI) that are sticky, offsetting portfolio capital volatility.

Future Research Agenda: This study opens several opportunities for further research. First, deeper analysis of transmission mechanisms using high-frequency data to capture Indonesian market reactions right at Fed announcements. Second, deepening by sector or instrument: resilience topics could be expanded to the banking or fintech sectors. Third, retail investor roles: with increasing individual investors at BEI post-2020, how this composition change affects market sensitivity to global news deserves investigation. Fourth, innovative policy studies: for example, the effectiveness of BI's operation twist or capital flow management applications in dampening external shocks.

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